RESEARCH REPORT

HOUSING TRUST FUNDS: THEIR NATURE, APPLICABILITY AND POTENTIAL IN CANADA

HOUSING
AFFORDABILITY
AND FINANCE
SERIES

CMHC SCHL

HOME TO CANADIANS
Canada

CMHC—Home to Canadians

Canada Mortgage and Housing Corporation (CMHC) is home to Canadians. In everything we do, we help Canadians live in safe, secure homes. As the Government of Canada's national housing agency, we play a major role in Canada's housing industry. CMHC develops new ways to finance home purchases. We encourage innovation in housing design and technology. Our mortgage loan insurance helps Canadians realize their dream of owning a home.

Canadians benefit from our work with public, private and not-for-profit partners to improve the quality, accessibility and affordability of housing everywhere in Canada.

CMHC assistance helps low-income and older Canadians, people with disabilities and Aboriginals live in decent, affordable homes. We create jobs for Canadians with products and services that help the housing industry export its knowledge and skills to other countries.

CMHC's leading-edge research improves the quality and affordability of housing. To help Canadians benefit from our housing expertise and make informed decisions, CMHC has become Canada's largest publisher of housing information. We also have Canada's most comprehensive selection of information about homes and housing.

Canadians can easily access our information through retail outlets and CMHC's regional offices.
You can also reach us by phone at
1 800 668-2642 (outside Canada, (613) 748-2003)
by fax at (613) 748-4069
To reach us online, visit our home page at <www.cmhc-schl.gc.ca>

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1 800 668-2642.

101-02007/

Housing Trust Funds: Their Nature, Applicability and Potential in Canada

Prepared for:

David Scherlowski
Research Division
Canada Mortgage and Housing Corporation

By:
Richard Drdla Associates Inc.
Toronto, Ontario

CMHC offers a wide range of housing-related information, For details, call 1 800 668-2642 or visit our Web site at www.cmhc-schl.gc.ca

Cette publication est aussi disponible en français sous le titre : *Fonds fiduciaires pour le logement : nature, applicabilité et potentiel au Canada*, PF0376.

This research project was funded by Canada Mortgage and Housing Corporation ("CMHC"). The contents, views and editorial quality of this report are the responsibility of the author(s) and CMHC accepts no responsibility for them or any consequences arising from the reader's use of the information, materials and techniques described herein.

Canadian Cataloguing in Publication Data

Main entry under title:

Housing Trust Funds: Their Nature, Applicability and Potential in Canada

Issued also in French under title: Fonds fiduciaires pour le logement : nature, applicabilité et potentiel au Canada

Includes bibliographical references

ISBN 0-660-18075-8
Cat. no. NH15-347/2000E

1. Poor – Housing – Canada.
2. Housing trusts – Canada.
3. Poor – Housing – United States.
4. Housing trusts – Unites States.
I. Richard Drdla Associates.
II. Canada Mortgage and Housing Corporation.

HD7287.96H58 2000 363.5'82'0971 C00-980042-5

© 2000 Canada Mortgage and Housing Corporation. All rights reserved. No portion of this book may be reproduced, stored in a retrieval system or transmitted in any form or by any means, mechanical, electronic, photocopying, recording or otherwise without the prior written permission of Canada Mortgage and Housing Corporation. Without limiting the generality of the foregoing no portion of this book may be translated from English into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

Printed in Canada
Produced by CMHC

EXECUTIVE SUMMARY

This report examines the character and role of housing trust funds (HTFs) in the United States and their potential and applicability in Canada.

Housing trust funds have been established by many states, counties and municipalities in the United States as locally based ways of supporting lower-income housing. Although they first appeared about 30 years ago, they spread most rapidly in the last 15 years, principally in response to declining federal support for affordable housing.

HTFs are essentially organizations that have secured a permanent source of ongoing revenue committed to the provision of housing affordable to lower-income households. These dedicated revenues are generally established through legislation or ordinance. Nearly all come directly or indirectly from government sources, such as fees or taxes on some activity or the interest on some public account.

Establishing dedicated revenue, rather than depending on regular appropriations, is important for two main reasons. It means the funding is less vulnerable to shifting political priorities. It also provides a better basis for creating longer-term policies and programs.

Context for Housing Trust Funds in the United States

The recent emergence of HTFs has occurred in response to various ongoing changes in the United States over the last 25 to 30 years. Many of these changes can also be seen in Canada.

Over that time, it is important to appreciate that there has been a steady decline in housing affordability for a significant proportion of Americans. Despite the widespread prosperity, the average household income in the United States has remained nearly static since the early 1970s. Meanwhile, housing prices have risen in all parts of the country, and skyrocketed in certain areas. The result has been an ever-widening gap between what many can pay for housing and what is being offered in the private market.

Changing federal funding

The federal assistance for lower-income housing has fundamentally changed over this time. It has moved steadily away from being the sole source of funding toward a much more complex system that relies on many other participants—the private sector, local governments, community-based organizations and non-governmental bodies—in the financing, construction and operation of the housing.

Federal funding has been reduced since its peak in the mid-1970s, but deepest cuts were made by the Reagan administration in the early 1980s. Despite these cutbacks, the federal government has recently provided roughly $5 billion per year in capital subsidies toward affordable housing production through two block grant programs and a tax credit program.

These programs have two notable features. First, the states, major cities and counties are now responsible for allocating the funds. Second, the principal grant program requires the recipients to provide matching funds or in-kind assistance equal to 20 per cent of the grant.

These federal subsidies provide most, but by no means all, of the assistance needed to provide lower-income housing. The money typically does not provide the deeper subsidies needed for very low-income households nor any special needs or related supportive services. Nor does it support operational subsidies or pre-development costs. As a result, non-profit developers typically must get additional assistance from another four to six state and local sources.

Increasing community-based involvement

The federal retreat from supporting affordable housing has been met, to some extent, by local

government. The response has varied widely, reflecting the different housing needs, legal provisions and political attitudes across the country. Overall, relative to the funding cutbacks and housing needs, funding increases from local government have remained modest.

On the other hand, many new types of organizations have taken an increasingly larger role in providing and operating the housing, or supporting those that do. Often described as the third sector, they form a loose network of organizations—mostly community-based, generally non-governmental and non-profit, and sometimes voluntary and charitable—that vary widely from community to community.

Many of the organizations have not been seen in Canada. In addition to housing trust funds, they include housing partnerships, community land trusts, national and local intermediaries, community development corporations, various service agencies, major regional non-profit developers as well as local charities and some committed corporations.

This community-based approach has been fostered by other factors in addition to the funding cutbacks. It has been encouraged by a backlash against federally run housing programs, which were found to be too bureaucratic and unresponsive to local needs. It also has been supported by considerable efforts put into promoting community empowerment as a way—perhaps, the only effective way—to revive depressed inner-city areas.

HTFs are one new and key locally based type of organization. They have emerged primarily to fill gaps in the available funding. They have been successful in this environment by supporting other new community-based providers of affordable housing and associated services. Working in this way, they also have been able to respond to local opportunities and to foster new approaches, often through innovative programs rather than construction.

American Experience with HTFs

There were 110 HTFs in 103 jurisdictions—34 city HTFs, 37 state and 39 county—in the United States in 1996, when the last and most comprehensive survey was undertaken. A few places had established more than one. Some were not yet operational because they lacked a dedicated source of funding.

HTFs are found in states, counties and cities of all sizes. For example, there was one in a city of less than 1,000 people, and a number in cities of less than 50,000.

Revenues and sources

For all HTFs combined, the dedicated sources provided about $300 million in 1996. This figure has been steadily increasing as more HTFs have become established.

In addition to the dedicated ongoing funds, most HTFs received government appropriations at some time, often as start-up funds. Many also were variously supported by one-time endowments and contributions from other sources.

HTFs were supported by roughly 30 different dedicated sources. Some are significantly more productive than others. The sources used by states and cities, particularly, were quite different.

The state HTFs generally had access to more diverse and productive sources of revenues than the others. The most common of these were related, in some way, to real estate activity, and the most productive were fees or taxes on real estate transfers. The other most common sources are derived from interest on real estate escrow accounts and surpluses from state bond programs.

Five states received dedicated revenues of more than $10 million in 1996, and another 11 received more than $1 million. Florida's HTF, the largest in the country, received $79 million that year, while Illinois and New Jersey received $19 million and $16 million respectively, all from real estate transfer taxes. These figures increased

respectively to $123 million, $21 million and $29 million in the last year.

Washington's HTF, one of the other largest HTFs, has been supported by regular triennial appropriations from the state government, most recently at $25 million/year.

Most city HTFs have depended on development charges on development activity. Linkage fees on new commercial projects have been the most productive. Other development charges—related to inclusionary zoning, density bonuses, density transfers or rental conversions—were widely used but much less productive. Some cities also have dedicated proceeds from land sales and various property, sales and hotel taxes.

Four city HTFs—Seattle, San Francisco, Saint Paul and San Diego—received more than $3 million in 1996. Another seven received more than $1 million.

Boston, which uses linkage fees, has been the most productive over the years. In its 15 years, it has collected about $50 million, with another $25 million to $30 million committed.

Seattle WA had two major HTFs, both funded through property taxes. In 1996, one received $8.5 million from a dedicated surcharge on property taxes, and the other $900,000 from the property tax increment on new downtown development.

Many smaller communities have been more productive when measured by their size. For example, Boulder CO, with less than 100,000 people, generated over $1 million in 1996 from a dedicated property surtax on existing development and excise taxes on new development.

In general, the county HTFs were smaller than the others. Only seven county HTFs in 1996 received more than $1 million in dedicated revenues. Nevertheless, there were two notable county HTFs, both in Dade County FL. One collected $14 million from property transfer fees in 1996, and the other $7.5 million from taxes on meals in licensed restaurants.

Administration and funding

Most HTFs are administered on a day-to-day basis by staff in existing housing agencies or departments, but are overseen by a separate board, commission or committee. Only a few are run independently by foundations, non-profit corporations or other entities with their own staff.

The separate oversight bodies typically incorporate broad representation from the community. In addition to elected officials and government staff, these bodies often include realtors, lenders, developers, advocates for housing and others. Their responsibilities range from simply advising on funding priorities and procedures to selecting the projects and programs to be funded.

Some organizations also use advisory committees or panels to provide outside expertise in areas such as finance and the needs of special groups.

The final decision-making authority for the funding awards varies. It can rest with these boards, the head of the existing agency or the local council. In any case, the awards are generally made through an open and competitive review process without significant political involvement.

Most HTFs provide grants or loans, depending on need or circumstances. Loans are typically provided with flexible or deferred arrangements for repayment.

In general, the funding is available only for lower-income households earning at or below 80 per cent of the median household income of the area. This threshold is used by the principal federal funding program and, in most communities, is roughly the dividing line between those households needing a subsidy and those that do not. Some HTFs use more restrictive thresholds, while other use less restrictive thresholds but typically reserve some proportion for those in greater need.

The establishing mandate for most HTFs allows for supporting a very broad range of lower-income housing projects, providers and activities. In this regard, they are typically much more

flexible and open than most conventional housing programs.

Those HTFs taking this broad approach identify the following as being eligible for funding:

- construction, rehabilitation, conversion and acquisition as well as assistance for home purchase and home repair for lower-income homeowners;
- homeownership, rental, transitional and emergency housing, and sometimes other types of housing such as limited equity cooperatives and existing assisted units made vulnerable by federal funding cutbacks; and
- non-profit, for-profit, governmental entities and, sometimes, others such as religious organizations, Aboriginal groups, social service providers, community land trusts and private individuals.

Most HTFs support pre-development work undertaken by specific projects, as well as "capacity-building" efforts to enhance generally the financial or technical capability of the non-profit organizations.

Some HTFs also fund supportive services for the special needs populations, such as those suffering from AIDS, addiction, abuse or handicaps.

Some HTFs take a different approach, and intentionally direct their limited funding to specific and critical needs. A handful focus entirely on the homeless and those facing the threat of homelessness. Others just help certain disadvantaged groups, rural areas, non-profit organizations or other targets.

Review of Canadian Housing Funds

There are five existing funds in Canada that can be called housing trust funds, although this term is not widely used in this country.

- **Saskatoon's Social Housing Reserve** (created in 1987) has been funded annually from the sale proceeds of residential building lots from the city's land bank. The funds have been used to provide grants toward various non-profit and cooperative housing projects.

- **Vancouver's Affordable Housing Fund** (1993) has been supported primarily by the city's capital budget and development cost levies on new development. It has been used mainly to provide grants toward low-income SRO housing.

- **Whistler's Employee Housing Service Charge Fund** (1991) has received development fees charged on new commercial, industrial and tourist developments. The funds have been used to acquire development sites, which are sold for privately developed below-market rental housing guaranteed by development agreements.

- **Banff's Reserve Fund for Affordable Housing** (1992) has received fees in lieu of construction of affordable housing, which is required of new commercial development. The funds have been used to provide below-market, owner-occupied homes for long-term residents.

- **Winnipeg's Housing Opportunity Partnership Loan Fund** (1997), established through the efforts of the Winnipeg Real Estate Board, has been supported by interest earned from real estate deposits and funding from a home equity program. It assists lower-income working households to purchase and upgrade existing housing in the inner city.

Three housing trust funds have been under active consideration in this country. All are being advanced by coalitions of locally based housing and service providers. Two have involved local government representatives. None has yet been officially endorsed nor secured a dedicated source of funding.

- **New Brunswick Affordable Housing Trust Fund** proposes to focus on the housing needs of disadvantaged individuals across the province, particularly the homeless and those with mental and physical disabilities.

- **Montréal Housing Trust Fund** expects to target the needs of the homeless across the Montréal urban area, while giving special attention to needy young people and women in difficulty.

- **The Edmonton Housing Trust Fund** proposes to support the acquisition and development of lower-income housing generally in the city.

A number of other locally based funds have recently been created in Canada to support the provision of affordable housing. They are not housing trust funds in the accepted sense because they do not depend on a dedicated ongoing funding source. Nevertheless, they represent important examples of other local ways of funding affordable housing.

- **Montréal Investment Fund** (1997) uses a $5 million line of credit from a private partnership. It will provide second mortgages to non-profit, community-based organizations purchasing, renovating and preserving existing low-end-of-market rental housing in depressed inner-city areas.

- **Calgary Homeless Foundation Fund** (1998) intends to raise annually $2 million through private charitable donations, and another $2 million in land, buildings and appropriations from each of the province and the city. Its purpose is to provide grants to agencies and organizations involved in housing and services for the homeless.

- The **Construction Fund of Cape Breton Labourers' Development Company** (1987) uses funds generated by a $0.25/hour deduction from the pay of its union members. This is used to finance the construction of affordable homes for the members.

- **Saskatoon Housing Initiative Partnership's Investment Fund**, as currently proposed, will use funds raised from private and corporate investors through a provincial tax credit. The intention is to provide short-term, secondary mortgages for low-end-of-market housing in depressed inner-city areas.

- **The Toronto Capital Revolving Fund for Affordable Housing** (1999) will use $10 million largely derived from its defunct density bonus program. Initially, it will be used to provide start-up loans for a series of proposed demonstration projects for affordable ownership, rental and transitional projects on city-owned land.

Potential and Applicability in Canada

HTFs have considerable potential in this country for supporting affordable housing. The conclusion is based on the emerging importance of these funds in the United States, and the relevant parallels in the housing situation in both countries.

In the U.S., they have provided ways of raising new locally based money, and engaged community-based organizations and resources in public-private partnerships. They also have shown a marked ability to foster new housing solutions, particularly ones that take advantage of local opportunities.

In view of the emerging interest in HTFs in Canada, as evidenced by the handful of similar funds that have either been established, or considered, there would appear to be considerable potential for them to contribute to the construction and rehabilitation of low-cost housing in this country.

TABLE OF CONTENTS

1. INTRODUCTION 1
Structure and Content of Report 1
Characteristics of Housing Trust Funds 1
Definition of Affordability 2

2. CONTEXT FOR AMERICAN HTF ACTIVITY 3
Declining Housing Affordability 3
Changing Federal Funding Increasing 4
Increasing Local Involvement 7

3. SUMMARY OF HTF AMERICAN EXPERIENCE 11
Numbers and Distribution 11
Revenues and Sources 11
Administration and Funding 17

4. PROFILES OF SELECTED AMERICAN HTFS 19
Florida: State Housing Initiatives Program 20
Missouri: Missouri Housing Trust Fund 22
King County WA: Housing Opportunity Fund 25
Dayton/Montgomery County OH: Affordable Housing Fund 30
Boston MA: Neighborhood Housing Trust 33
Boulder CO: Community Housing Assistance Program 37
Berkeley CA: Housing Trust Fund 39
Sante Fe NM: Community Housing Trust Fund 43

5. PROFILES OF SIMILAR CANADIAN FUNDS 47
Saskatoon SK: Social Housing Reserve 48
Vancouver BC: Affordable Housing Fund 50
Whistler BC: Employee Housing Service Charge Fund 53
Banff AB: Reserve Fund for Affordable Housing 55
Winnipeg MB: Housing Opportunity Partnership Loan Fund 57
New Brunswick: Affordable Housing Trust Fund 59
Montréal QB: Montréal Housing Trust Fund 62
Edmonton AB: The Edmonton Housing Trust Fund 64
Toronto ON: Social Housing Reserve Fund 65

6. PROFILES OF OTHER CANADIAN HOUSING FUNDS 68
Montréal QB: Montréal Investment Fund 68
Calgary AB: Calgary Homeless Foundation Fund 70
Cape Breton NS: Construction Fund of Cape Breton Labourers' Development Company 72
Saskatoon SK: SHIP Investment Fund 74
Toronto ON: Capital Revolving Fund for Affordable Housing 76

APPENDICES

A ADDITIONAL INFORMATION SOURCE **A-1**

B DEDICATED REVENUE SOURCES FOR HTFS **B-1**

C STATE HTF ENABLING LEGISLATION **C-1**

D SELECTED REFERENCES **D-1**

ENDNOTES **D-6**

LIST OF TABLES

Table 1a: Dedicated Revenue Sources for State HTFs: 1996 12

Table 1b: State HTFs with Most Dedicated Revenues: 1996 and 1998 12

Table 2a: Dedicated Revenue Sources for City HTFs: 1996 13

Table 2b: City HTFs with Most Dedicated Revenues: 1996 and 1998 14

Table 3a: Dedicated Revenue Sources for County HTFs: 1996 15

Table 3b: County HTFs with Most Dedicated Revenues: 1996 and 1998 15

Table 4: Description of Selected Revenue Sources 16

Table 5: Budgeted Funds for the Florida Housing Finance Corporation 1999 22

Table 6: Funding Sources for Berkeley's Housing Trust Fund 1990-99 40

Table 7: Housing Requirements for New Commercial Uses in Banff 55

1. INTRODUCTION

This report examines the characteristics of housing trust funds (HTFs) as they have developed in the United States, and their potential and applicability in Canada.

Structure and Content of Report

The main body of the report is presented in these chapters.

- Chapter 2 reviews the various conditions that led to the creation of HTFs in the United States.
- Chapter 3 describes the main features of the HTFs in the United States, including their sources of revenue and administration.
- Chapter 4 profiles a number of HTFs, describing in greater detail their background, purpose, revenues, administration and accomplishments.
- Chapter 5 profiles, in the same detail, some corresponding housing trusts funds—existing, past and potential—in Canada.
- Chapter 6 profiles some other housing funds—existing and under consideration—in Canada.

Supplementary information is provided in the appendices and a bibliography is provided There is also is a brief review of the enabling legislation used by the states.

A companion to this report also has been prepared, entitled "Guide to Creating Housing Trust Funds in Canada." It provides a "how-to" guide for housing advocates and others interested in establishing a housing trust fund.

Characteristics of Housing Trust Funds

A housing trust fund is essentially an organization that has secured a dedicated source of ongoing revenue committed to the production and preservation of affordable housing for lower-income households.

The term "housing trust fund" is also sometimes used in reference to the separate account established to receive and hold this revenue.

The key point of this definition is that the source of revenue should be a permanent one, established through legislation or ordinance, so it is insulated as much as possible from shifting political priorities. It should also provide an ongoing and more or less predictable stream of revenue so appropriate forward-looking policies and programs can be established.

Most trust funds also receive other monies, such as appropriations for government sources and contributions from private and charitable sources. Nevertheless, they should not depend on these irregular sources because they cannot effectively operate under those circumstances.

The monies dedicated to the housing trust funds should add to the funds available for affordable housing. They should not replace or divert existing funding already available for affordable housing.

The housing trust funds generally fall into two categories. Most support virtually any type of housing provider—public, non-profit as well as for-profit—and type of activity—homeownership, rental, cooperative, transitional and others—as long as they serve the targeted population. In this respect, they typically are much more flexible than conventional government-run housing programs.

Alternatively, some funds focus on particular housing needs or groups, such as the homeless. Generally, these needs or groups are not adequately served by the existing housing programs.

Definition of Affordability

Most housing trust funds in the United States target housing made affordable to households or individuals making 80 per cent or less of the area median income. This approach is consistent with most other affordable housing programs across the country.

To be affordable, the price or rent of that housing generaliy cannot exceed 30 per cent of the gross household income of these households. Adjustments are also made to income figures in order to account for the needs of different household sizes.

The term "low and moderate income" (or lower income, for short) in most jurisdictions is defined using this 80 per cent threshold. That approach is used generally throughout this report as well.

This threshold is also significant for another reason. In most housing markets, the private building industry generally cannot provide housing affordable for households earning below this threshold, at least not without some form of subsidy. Therefore, the provision of housing below this threshold generally requires some assistance from the government.

No similar standard practice has been developed in this country for consistently measuring and defining affordable housing. Translated to a yardstick that might be most widely used here, this threshold would include roughly the lower 40 per cent of households when distributed by income.

2. CONTEXT FOR AMERICAN HTF ACTIVITY

Housing trust funds first emerged in the United States about 30 years ago, and have spread rapidly and widely over the last 15 years. Their emergence has occurred in response to various ongoing changes: the decline in housing affordability for lower-income households, the reduction and transformation of federal funding, and the devolution of responsibility for lower-income housing to the local communities.

Declining Housing Affordability

Over this period, which has been a time generally of unprecedented prosperity, the United States built housing at a very rapid rate. As a consequence, both the overall availability and quality of housing steadily improved for nearly all income groups. While substandard housing still exists, it is far less prevalent than at any time in the past.

Despite its achievements on this front, the country is being challenged by a new and serious housing problem: declining housing affordability. Over this same period, there has been a steadily widening gap between what a significant proportion of the population can pay for housing and the price of what can be made available to them in the private marketplace. In general, households earning below the median income more or less, particularly most renters, now find that housing is too expensive.

Although this problem is identified mostly with the growing incidence of homelessness, this is only its worst and most apparent aspect. Declining affordability has affected not only the poor, but also even the middle class in many communities. Homeownership rates declined in the United States in the 1980s, despite low mortgage rates and reduced downpayment requirements, after having risen steadily for the previous 40 years. Most young families earning less than the average income are being shut out of the homebuying market. Many households with modest-paying but permanent jobs—the so-called "working poor"—are having difficulty securing even affordable rental accommodation.

This problem has grown mainly because housing costs have increased at a much faster rate than the incomes of a significant proportion of households. Indeed, on average, household incomes have barely increased in the United States since the early 1970s. Measured in inflation-adjusted dollars, the median income of all households in the country dropped 4.5 per cent from 1970 to 1980, and rose 6.5 per cent from 1980 to 1990. The overall net gain was less than two per cent for the entire 20-year period (Burchell and Listokin, 1995). This negligible rise was achieved despite a substantial increase in double-income households. These figures do not reflect the declines that occurred during the prolonged recession of the early 1990s.

These overall figures also mask declining incomes felt by many specific groups. For example, the average incomes of renters who earned roughly half of homeowners, dropped by five per cent over this period. City residents and certain racial groups also experienced income losses (Burchell and Listokin, 1995).

While average household incomes virtually stagnated over this period, the cost of housing steadily increased. In the 1980s alone, after adjusting for inflation, the monthly housing costs for mortgaged homes rose by 24 per cent and for rental units by 16 per cent.

The disparities between household income and housing costs were even more pronounced in certain parts of the country. In California between 1970 and 1988, due largely to its robust economy, the median household income increased by a factor of 3.1. Nevertheless, housing affordability still declined significantly because the median home price rose by 6.7, or over twice as much as income (Kersten, 1990). Similarly, the median income of renters increased by 2.5, but the median rent increased by 3.5. Corresponding disparities, although generally less extreme, can be found in many other prosperous areas across the country.

The U.S. economy generated considerable wealth over this period, but that wealth has accumulated largely in the upper income levels. This can be seen in the widening disparity in overall income distribution in the country. Income inequality is not unique to the United States, but it is substantially greater there than in Canada and even the United Kingdom. The consequence is that the well off can afford larger houses with greater amenities, but the less well off are facing greater problems in finding affordable housing.

Changing Federal Funding

Federal assistance for lower-income housing has been fundamentally transformed over the last 25 or more years. The single most significant change occurred in 1983 when the Reagan administration cancelled the federal government's principal production subsidy for lower-income housing. However, this change was only one of many that affected the nature and administration of federal funding.

Section 8

Starting in the late 1960s, the federal government moved gradually away from relying on public housing programs toward providing public subsidies to private developers, including both for-profit and non-profit. These subsidies were provided first through low-interest mortgages for the construction of rental as well as ownership housing. Later, more generous supply-side subsidies were introduced under Section 8 of the 1974 *Housing and Community Development Act*.

Section 8 established a new approach involving demand-side rental supplements given either to tenants or to projects. The tenant-based supplements were a major new type of allowance that provided the difference between what lower-income households could afford and the fair market rent in their area. It also continued but expanded earlier supply-side assistance by providing subsidies to new or substantially rehabilitated housing created by private developers and maintained as affordable for 20 years generally.

The Reagan administration started a retrenchment in federal housing assistance that has been continued by subsequent administrations. It curtailed the supply-side subsidies for new construction in 1983, and for rehabilitation in 1986. It also reduced the funding for many other programs, and eliminated favourable tax provisions that had supported rental housing construction.

From its peak of $32.2 billion in 1978, the federal government's subsidized housing programs were cut to $9.8 billion in 1988. After adjusting for inflation, that constituted a drop of more than 80 per cent (Bratt, 1997). The consequence of these cutbacks was that the production of subsidized housing plummeted.

The demand-side subsidy programs were retained by the Reagan administration, but these too faced increasingly severe fiscal constraint. Most recently, new project-based rental subsidies have been curtailed, and new tenant-based rental allowances capped.

Block grants

Direct federal funding for the production of lower-income housing is now funnelled through two block grants: the Community Development Block Grant (CDBG) Program and the Home Investment Partnership (HOME) Program.

The block grants are made annually to the states and eligible urban counties and cities, which are responsible for allocating the money to local projects and programs. Smaller urban communities get funds through state or county allocations. The intent is to keep the federal bureaucracy to a minimum, and to allow these jurisdictions to design and administer their own programs within broad federal guidelines.

The CDBG Program, started in 1974 through the consolidation of many existing programs, provides grants for a broad range of community developments including, but not exclusively, housing. Since 1990, 70 per cent of the funds

must be used to benefit lower-income households. The amount of the CDBG grant to each jurisdiction is based on population.

The HOME Program, created in 1990, is dedicated solely to increasing the supply of affordable housing for lower-income households. Eligible activities include construction, rehabilitation and assistance toward home purchase, home repairs and rental supplements. The HOME grant to each jurisdiction is based on a formula combining population and various indices of housing need.

The HOME program introduced an important condition that has influenced the establishment of housing trust funds. In order to obtain the funds, projects and programs must provide local matching funds at the rate of $1 for every $4 of HOME money. The obligation can be met through land donations and fee waivers, but some jurisdictions have turned to housing trust funds as a way of taking full advantage of this funding.

In 1997, the federal government allocated $4.8 billion to the CDBG and $1.5 billion to HOME. These allocations have been roughly at this level for the last few years. The CDBG money going to lower-income housing varies widely by jurisdiction, but overall roughly one third seems to be used for that purpose.

Tax credits

The Low Income Housing Tax Credit (LIHTC) Program is the third of the existing federal supply-side programs, and is the principal means of supporting the production of low-income rental housing. Introduced by the *Tax Reform Act* of 1986, it provides substantial tax benefits for investors in this type of housing. This legislation also undid the generous tax allowances for rental housing, in place since 1981, that did not target nor particularly benefit the low-income household.

Unlike the two block grants, which provide direct subsidies from budget allocations, this program uses indirect subsidies induced through tax deductions for private investments. It was designed essentially to mobilize private resources, using only a limited federal bureaucracy, to finance low-income rental apartments built by the private as well as the non-profit sector. It was meant to attract investments mainly from large corporations, but is used also by financial institutions, utility companies and commercial syndications of small investors.

Under this program, tax credits are authorized each year and allocated to the states on the basis of population. Within the states, they are awarded to eligible projects by the state housing finance agencies.

Developers are entitled to tax credits when they build rental housing that meets various income and other criteria. The tax credits can be used against federal income tax liabilities over a 10-year period. Because most do not have the tax liabilities needed to take direct advantage of the credits, the program allows them to sell the credits to outside investors as a means of raising development capital.

The financial market determines the price of the tax credits. Investors find them attractive because they can be generally purchased at a price considerably less than the benefits allowed by the generous tax provisions.

The system depends on complicated partnership arrangements between the developers and investors lasting for a number of years. To create these arrangements, all but the largest developers typically must engage some form of outside syndicator. These syndicators market the housing credits to potential investors in order to get the best price. They also provide or hire the necessary legal and accounting expertise, and typically are involved in various underwriting activities and monitoring functions on behalf of the investors. The costs of these syndication activities are paid out of the gross amount received from the investors.

Initially, professional brokers undertook these syndication functions. Now, more and more, they are being handled by non-profit intermediary organizations. Some larger non-profit developers also have their own in-house expertise.

In this system, the amount of money actually invested in the production of housing is considerably less than the amount of revenue written off by the federal government. The difference can be attributed to many factors: the generous tax provisions used to attract the investment, the syndication fees and the bridging loans needed in advance of receiving the annual payments. In the past, only about 50 to 60 per cent of the tax deductions typically went toward production. More recently, mainly due to the wider use of the intermediaries and some tightening of the oversight regulations, this figure has increased. Nevertheless, the best deals, to date, have not achieved much more than 70 per cent.

The tax credits in 1997 cost the federal government about $3 billion in lost revenue. On the basis of the above figures, those tax credits will generate private sector investment between $1.5 and $2 billion in low-income rental housing.

Supplementary funding

Since the early 1980s, the financing of low-income housing in the United States has become piecemeal, multi-layered and very complex. In the absence of a single deep federal subsidy, the providers must scramble to get investments, grants, loans and donations typically from another four to six different sources, while eight to 10 sources are not unusual.

Federal funding is no longer sufficient to pay for the entire cost—or even the larger proportion—of developing lower-income housing. In the current system, the up-front subsidy coming through the federal block grants and tax credits is aimed solely at bridging what the targeted lower-income households can afford and what housing can be provided by the private marketplace.

Based on this up-front subsidy—often also called equity investment—the developers are expected to secure short-term loans for construction and long-term loans for mortgages. The principal sources of this financing are private banks and other lending institutions, and the state housing finance agencies.

The equity investment coming from the direct or indirect federal funding is essentially intended to reduce the debt load resulting from these loans to a level that can be supported by the targeted lower-income rents without the need for an ongoing government subsidy. It is this relationship between the debt load and the projected rental income stream that determines the viability of these projects. Often, providers must secure additional grants and donations from other secondary sources to reduce the debt load for their projects down to a self-sufficient and serviceable level.

Private financial institutions have been engaged in providing these loans due, in large part, to the 1977 *Community Reinvestment Act*. Under this legislation, all federally insured banks have an affirmative obligation within "safe and sound operations" to help meet the credit needs of the lower-income households and businesses within the areas they serve. The legislation, it must be noted, does not oblige the banks to provide money at concessionary rates. Many community groups have used these provisions to negotiate major multi-year commitments from their local banks for loans and other services.

State housing finance agencies were first established in the 1960s to finance the construction of multi-family and single-family housing for both lower-income and middle-income households. They are authorized to raise money for that purpose through the issuance of tax-exempt bonds. The bonds have relatively low rates of return for investors, but are attractive because the income earned from them is exempt from federal taxation. The availability and use of this funding is controlled by federal regulations. Most is used for mortgages with below-market interest rates to lower-income multi-family developers and

first-time homebuyers. While some states are more active than others in using this tax-exempt financing, overall it has been the principal means of state support for affordable housing.

While the equity investment and these loans provide the bulk of the financing, they often do not cover all the needs. In general, to spread the limited resources as far as possible, the federal funding is allocated to the minimum necessary to serve the targeted income. As a rule, deeper subsidies are not made available to serve the very low-income households nor to support special services.

This system also does not fund most pre-development costs and even some development costs. Excluded are professional and other start-up services, unexpected constructions costs and possibly even short-term delays in receiving funding. Funding for these costs is excluded from the federal programs, and considered too risky by private lenders. Most non-profit developers, unlike established private developers, also need assistance for these costs because they have no capital reserves of their own acquired through previous projects.

Neither are operating subsidies generally provided from federal or state governments. Since the early 1980s, the federal government has offered operating subsidies only for certain programs targeting the elderly, disabled and homeless.

Additional funding for all of the above-mentioned costs, when needed, must come from local organizations. Local governments and housing trust funds are typically the main sources of this supplementary assistance. Local foundations, corporations and businesses, religious and community groups and other non-profit organizations also variously help through grants, donations or forgivable loans.

Increasing Local Involvement

The federal retreat from supporting affordable housing has been met to some extent, by a growing involvement of state and local governments, and by the so-called third sector encompassing a diverse range of non-profit, community-based and other non-governmental organizations. This increased involvement became evident in the 1970s, but became much more pronounced and widespread in the 1980s. While the federal retreat was a major impetus, there were other forces also at work.

Urban unrest in many cities during the mid-1960s had already triggered a fundamental rethinking of urban programs. The Ford Foundation, a major philanthropic and non-governmental think tank, was particularly influential through its community action model for improving distressed inner-city neighbourhoods. Its fundamental tenet was that the only way to make permanent changes in these areas was by empowering the residents to take control of their social institutions and economic resources. This led to its sponsorship of community development corporations, which have been the main developers of low-income housing in the United States since that time.

Already in the 1970s, there was a growing reaction against bureaucratic and inflexible federal public housing programs. These were seen as too often producing projects that did not respond to local problems and conditions. Although all the projects do not fit this mould, public housing programs became identified with large highrise ghettos.

Also, as noted earlier, severe housing problems of an entirely different kind became apparent in many places. Prosperous communities were confronted with affordability crises due to rapidly rising housing prices associated with economic growth. In response to local pressures from the middle class as well as housing advocates and others, many states and communities started implementing a variety of innovative and home-grown initiatives.

Local government

As federal production subsidies declined, states and cities increased their support, to some extent, for affordable housing. Their response has varied widely, reflecting the different housing needs and political attitudes across the country.

The capability of states and particularly municipalities to replace the lost federal dollars has been limited. Most faced fiscal constraints of their own, due to the generally reduced federal assistance and local referenda that often placed limits on local tax increases. In any case, increasing sales and property taxes were generally not considered an appropriate option because they placed additional burdens on the households needing help. Operating with these fiscal constraints and their limited powers, local governments looked at new and unconventional ways to support affordable housing.

Housing trust funds, now used by a majority of states and many local jurisdictions, represent one of the principal means of channelling local financial support. They use either new or re-allocated sources of funding dedicated specifically to the provision of affordable housing. Establishing housing trust funds was seen as a way of making this funding source permanent and also, in some cases, of using the resulting money separately from the established bureaucratic procedures.

Many states, and some larger local jurisdictions having the delegated authority, support lower-income housing through below-market loans financed through tax-exempt bonds. As noted, these loans are the major source of state support for this housing.

Additional support has been provided in many states, but the source and amount of that support varies widely. Other sources have included taxable bonds, state-level tax credits and specific appropriations. Certain states, such as New York and Massachusetts, have been particularly active in developing their own programs and forms of assistance.

Some jurisdictions use their land use and regulatory powers to support affordable housing. For example, certain states oblige their municipalities to plan and provide for affordable housing in various ways. Many local governments have implemented inclusionary zoning and other affordable housing programs associated with the development approval process.

Municipalities generally do not have the capital resources to fund these projects in any substantial way. Their support, while considerable, has come in other ways: through the donation of land, reduction in property taxes, waiving of development-related fees and charges, and the provision of staff for planning studies and other pre-development work.

Because of their limited resources, financial assistance from municipal governments is generally very focussed. Typically, it provides what is sometimes called the "first-in and last-out money." That refers to the seed money for capacity building and initial funding for pre-development work, and the final gap financing and short-term bridge funding to tide over the project.

Third sector

With federal funding cutbacks, and the limited response of local governments, the "third sector" in the United States has taken an increasingly larger role in providing affordable housing. This sector encompasses a diverse and large network of new and emerging entities—often non-governmental, non-profit and community based—that act in a public-spirited manner. Included are national and local intermediaries, housing trust funds, housing partnerships, community land trusts, community development corporations, local foundations and philanthropies, various housing and service providers, and even some committed private corporations. All of these vary from community to community.

Community-based development organizations

In recent years, non-profit organizations have become the main providers of low-income housing in the United States. Their production has steadily increased while the federal government has withdrawn from the funding of housing.

There are at least 3,000 such organizations active across the country operating under a wide array of different names and modes. These are variously sponsored by neighbourhood associations, religious organizations, social agencies, tenant groups and

trade unions. The numbers vary by city and part of the country, with most in the northeast, "rust belt" and west coast.

About two thirds of these call themselves community development corporations (CDCs). These are grass-roots organizations working exclusively in one neighbourhood, and involving local residents in their governance and management. The first CDCs appeared in the late 1960s under the sponsorship of the Ford Foundation, and then were supported by the federal government starting in the early 1970s.

CDCs are interested, at least in principal, in supporting all aspects of community development. A few concentrate solely or primarily on economic activities. Many also undertake a variety of social programs involving job training, health care, remedial education, drug rehabilitation, homebuyer counselling and other similar services. The majority, however, are involved entirely or predominantly in creating lower-income housing.

Other non-profit housing providers are not community based. Included here are the church-based and labour-sponsored organizations, the municipal non-profit agencies and some larger private non-profit development companies working regionally. There are yet other non-profit housing organizations that target the elderly, mentally ill and other specific constituencies. Many of these appeared in the 1960s and still hold substantial housing inventories built under earlier federal below-market loan programs.

The community-based, non-profit housing producers are supported for several reasons. In the first place, they are the only organizations willing to undertake low-income housing in many cities, particularly in distressed neighbourhoods. They are also committed for the long haul to their communities, particularly to the provision of permanently affordable housing. Furthermore, they are also often committed to housing the poorest and most needy households, and to providing the support services needed to help them.

Despite their willingness and dedication, these non-profit, community-based organizations generally have lacked the resources and skills to be effective developers. Only during the last decade have they demonstrated a capability to build and rehabilitate housing. Nevertheless, there are still only a small number of high-volume, community-based housing developers, mainly in the larger cities where they have had access to a diversity of funding sources.

Intermediaries

This community-based approach to providing lower-income housing remains very dependent on a complex support network of various government and third-sector organizations. Of these, the most critical are a new type of non-profit and non-governmental entity called "intermediaries." This approach could not survive without their extensive support.

There are three major national intermediaries—two privately sponsored and one federally sponsored—operating through their many local offices across the country. The three national intermediaries are:

- the Local Initiatives Support Corporation (LISC) established in 1979 by the Ford Foundation and six corporations specifically to assist CDCs in revitalizing distressed neighbourhoods;
- the Enterprise Foundation launched by the developer James Rouse in 1982 mainly to assist community-based non-profit groups and local governments in constructing and rehabilitating low-income housing; and
- the Neighborhood Reinvestment Corporation (NRC) established in 1978 by the federal government "to revitalize older urban neighbourhoods by mobilizing public, private and community resources at the neighbourhood level."

The intermediaries assist the CDCs and some other neighbourhood-based organizations in two key ways. First, they train and assist the local organizations to become more competent as housing builders and managers, fund-raisers

and community organizers. Second, through their financial expertise and business contacts, they raise the millions in corporate, foundation and other private money needed to support the system, principally by syndicating the tax credits and by establishing loan pools.

In addition to these three national organizations, there are at least 50—and perhaps as many as 200—similar but smaller and locally based organizations, variously called housing partnerships and local intermediaries. While they do not generally have the expertise and resources of the national organizations, they act in similar ways as brokers and facilitators between the private, non-profit and public sectors. Among their typical activities are raising private contributions and loans for lower-income housing, and organizing community-based partnerships in the provision of housing and services.

3. SUMMARY OF AMERICAN HTF EXPERIENCE

Housing trust funds have developed in the United States as locally based ways of funding affordable housing. They have taken shape mainly in an ad hoc fashion in response to local needs and opportunities. As a consequence, they encompass a wide range of characteristics[1].

Numbers and Distribution

There were 110 HTFs in 103 jurisdictions in 1996—34 city HTFs, 37 state and 39 county. Of these, 10 were not operational because they had not yet established a permanent funding source nor received start-up funds.

Most HTFs have been established in the last 15 years. The first HTF was the Delaware Housing Development Fund created in 1968, followed by the Community Renewal Fund in Howard County MD in 1970. Overall, three HTFs were established before 1980, four more in the 1980-84 period, and all of the rest since then.

Various jurisdictions have established more than one HTF. The city of Seattle WA had three in 1996. The cities of San Francisco CA and Boston MA, Dade County FL and the states of Kentucky, Nebraska, Nevada and Oregon all had two.

Jurisdictions of all sizes have created HTFs. For example, there was one in a municipality of less than 1,000 people and eight in cities under 50,000. At the same time, there were HTFs serving cities over one million in size and a state over 25 million.

Most states have adopted HTFs. They are found across the country, except in the deep south and the least populated areas of the mid-west. Some of the most populated states, notably, New York, Pennsylvania, Massachusetts and Michigan, have not adopted them, but some of these have been active in financing affordable housing in other ways.

Some county HTFs serve both the county and one or more separate municipal jurisdictions within their boundaries.

Revenues and Sources

This review focusses on the dedicated ongoing revenue sources that produce a relatively permanent and predictable income stream for the HTFs. They represent a distinctive feature of HTFs.

Although the dedicated ongoing revenues were the main source of income for most HTFs, they were also supported in many other ways. A few depended on the ongoing interest generated by large one-time capital endowments. Some had dedicated sources, such as the proceeds of land sales, that generated money on an irregular basis. Many derived income from the repayment of loans.

At some time, most HTFs had received other government support, either from appropriations from general funds or allocations from other government programs. This was typically given to start up the HTF until the dedicated revenues came on stream or to supplement the dedicated revenues when inadequate. For a small number, government support remained the sole or main source of funding.

Many HTFs have been given donations and grants from charitable foundations and private sources, but these typically have been in relatively small amounts.

Some HTFs, in addition to allocating their own funds, are responsible for awarding the federal housing block grants received annually by their respective jurisdictions.

State housing trust funds

The state HTFs in 1996 were supported by at least 15 dedicated funding sources (Table 1a). Only a small number of these HTFs used more than one dedicated source.

Table 1a:
Dedicated Revenue Sources for State HTFs: 1996

Source	Number of HTFs Using Source
Real estate transfer taxes	12
Interest from real estate escrows	4
Surplus bond reserves	3
State bond funds	3
Document recording fees	2
Penalty for non-payment of real estate taxes	1
Mortgage transfer tax	1
Interest from title company escrows	1
Interest from tenant security deposits	1
Unclaimed property fund	1
Mobile homeowner fees	1
Interest from "rainy day" fund	1
Taxes on offshore oil extraction	1
Paybacks from rehabilitation programs	1
Administrative fees for particular program	2

Most revenue sources for the state HTFs were associated, in some way, with real estate activity. This included taxes on property transfers, fees for recording deeds and interest from real estate escrows. Another small number depended on funds derived from their state-run bond programs. The other revenue sources were all singular. (Refer to Table 4 for a description of some of these revenue sources, and also to Appendix B for the jurisdictions using the different revenue sources.)

The most common—and also generally most productive by far—are the real estate transfer taxes. Twelve state HTFs used either these taxes or other similar charges variously called documentary stamp taxes, real estate conveyance fees and property transfer taxes. All are based on some percentage, typically somewhere between 0.01 per cent and 0.1 per cent—of the value of property when transferred.

In 1996, one state HTF received more than $100 million in dedicated revenues, another five more than $10 million, and another 12 more than $1 million (Table 1b).

The largest state HTFs have been supported by real estate transfer taxes. Included here was the very largest in the country, Florida's HTF, which received $79 million from its documentary stamp tax in 1996 and $123 million in 1998. Illinois and New Jersey received income in the range of $15 million to $20 million and $20 million to $30 million from this source in those two years.

The amount collected from this revenue source depended on various factors: the scale of the real estate activity in the state, the type of properties charged and the rates used. It is also relevant to note that only a part of the revenue generated by these taxes in all of these states was actually allocated to the HTFs.

The other two sources related to real estate activity were less productive. These were the revenue sources based on fees charged on a standard rate for recording deeds and documents, and interest earned from pooled deposit accounts for real estate or title escrows. State HTFs depending on these sources received between $300,000 and $1 million in 1996.

State bond programs were also a substantial and frequent source of funding for state HTFs. The state HTFs were supported directly from the proceeds of these bonds or indirectly through

Table 1b:
State HTFs with Most Dedicated Revenues: 1996 and 1998

State	Amount ($ mil) 1996	Source 1998	
Florida	80	123	Documentary stamp tax
Washington	25.7	25	General taxes, interest on real estate accounts and penalties on late payments
Illinois	18.5	21	Real estate transfer tax
New Jersey	15.9	29	Real estate transfer tax
Hawaii	11.4	12	Real estate transfer tax and bond revenues
Tennessee	10.4	9	Real estate transfer tax, mortgage transfer tax and others

the administrative fees or bond reserves. Vermont's HTF was the largest beneficiary from this source; it received $6 million from government bond proceeds in 1996.

Washington's HTF, the second largest HTF in 1996, has been supported almost entirely from government appropriations. Annual allocations starting in 1986—totalling nearly $220 million to this year—have been made from the state's capital budget. For the last six years, $25 million annually has been committed. The HTF's two dedicated revenue sources—interest on real estate escrows and penalties on delinquent tax payments—generated about $700,000 in 1996.

Three HTFs have been given large one-time endowments, from which they are to use the interest and earnings. North Carolina's HTF received $19.7 million from housing development programs and Indiana's HTF $7.5 million from its public depository insurance fund. They each received $1 million to $3 million from these endowments in 1996.

There were other sources of ongoing funding that provided substantial amounts:

- proceeds from unclaimed property ($6 million in Arizona);
- charges on recording or filing documents ($3.6 million in Missouri);
- taxes collected from offshore oil drilling ($2 million in California); and
- interest from the state's "rainy day" fund ($5 million in Ohio).

City housing trust funds

The city HTFs used at least 14 types of ongoing dedicated revenues in 1996 (Table 2a). Unlike the state HTFs, some city HTFs used between two and four of these.

Most city-based revenue sources were associated with local development activity. The next largest number was derived from various local property, sales and use taxes.

Some HTFs received proceeds from other irregular sources, particularly, appropriations from general funds and proceeds from the sale of any public lands. A few also administered the federal block grants allocated to the city for affordable housing.

The most common, and generally most productive, dedicated revenue source was development fees of some type. In total, 13 HTFs depended on linkage fees (also called mitigation or impact fees), development proffers or housing excise taxes. While these are collected in different ways, they are all charges on new development dedicated to affordable housing.

Some city HTFs also depended on other types of development-related payments, such as fees related to inclusionary zoning, density bonuses, density transfers and rental housing conversions. None of these generated much support for affordable housing.

Development-related charges generally, and some types of linkage fees particularly, vary in relation to the level of economic activity. When this is coupled with the irregularity of payments from other sources, such as land sales, the money available to some of these city HTFs has abruptly changed year by year.

Table 2a:
Dedicated Revenue Sources for City HTFs: 1996

Source	Number of HTFs Using Source
Linkage fees	9
In-lieu fees for inclusionary units	4
Property taxes	4
Hotel room tax	2
Developer proffers	2
Housing excise taxes	1
Developer payments, transfer of development rights	1
Developer payments, density bonuses	1
Condominium conversion fees	1
Unclaimed utility deposits	1
Landfill fees	1
Employer contributions	1
Sales tax	1
Administrative fees for particular program	1

At least four city HTFs received more than $3 million in 1996 (Table 2b). Another seven or so received more than $1 million.

The most productive city HTF over the years has been Boston's Neighborhood Housing Trust. It has relied on linkage fees on projects adding office and other types of space. Between mid-1984 and early 1998, it had collected a total of $49.5 million, and had outstanding commitments for another $25 million to $30 million. (It probably belongs on the list of those earning more than $1 million in 1996, but specific figures for that year are not available.)

San Francisco has had two significant HTFs. One of these, since its 1987 start, has consistently received $3.5 million to $4 million annually from a small share of the city's tax on the use of hotel and motel rooms. The other has derived revenues from a linkage program somewhat similar to that in Boston. From its 1981 inception to the early 1990s, that program generated about $32 million in linkage fees from new offices. No fees have been collected since then because of the downturn in office development.

San Diego's HTF has collected annually between $1.6 million and $6.0 million/year between 1991 and 1997. In 1996, it received about $3.4 million—$3.1 million from linkage fees and the remainder from a tax on hotel rooms and the sale of development land. This HTF has had a volatile history because the linkage fees and hotel taxes have been diverted back to the general fund at different times, while the land sale proceeds have fluctuated widely.

Seattle WA also has two HTFs, both using dedicated property taxes. One was given the additional property tax revenues derived from new downtown construction—most recently, at a rate of about of $900,000 annually. The second used a surcharge on the city's property taxes to generate about $8.5 million annually for seven years starting in 1996.

Boulder's HTF is probably the largest HTF when measured against population. This community of 100,000 dedicated nearly $1.2 million in 1996 ($1.6 million in 1998) from a surcharge on property taxes for existing development a nd a housing excise tax on new development. The HTF also administered the city's annual federal block grants of well over $1 million for affordable housing.

Table 2b:
City HTFs with Most Dedicated Revenues: 1996 and 1998

City	Amount ($ mil) 1996	1998	Source
Seattle WA	8.5	8.5	Property tax levy
San Francisco CA	4.0	4.0	Hotel room tax
Saint Paul MN	3.9	-	Sales tax
San Diego CA	3.2	3.3	Linkage fees and hotel room tax

Unlike most HTFs that relied on one or two main sources, Berkeley's HTF received funding from many lesser dedicated as well as irregular sources, including various development-related fees, property sales, private donations and special authorizations. It also administered the city's annual block grants.

Two HTFs relied on the interest from large one-time endowments. In Denver CO, the endowment of $11 million came from the sale of public land for development. In San Antonio TX, $10 million came from the sale of a city-owned cable TV franchise.

The HTF in Duluth MN also has used a $1 million endowment provided mainly by a major local foundation and also by corporations and hospitals. This has been one of the very few HTFs that has not depended on government-generated funds.

County housing trust funds

The county HTFs used at least 10 dedicated ongoing revenue sources (Table 3a). Nearly all relied on a single dedicated source.

Most of the county HTFs relied on some form of taxes or fees on the transfer of real estate, including documentary stamp charges, real estate transfer tax, and deed and mortgage recording fees. This category was dominated by the 20 county HTFs in Pennsylvania, which under state-wide enabling legislation obtained dedicated revenues on standard charges for recording deeds, marriage licences and liens (see Appendix C). Since 1996, the number of county HTFs in the state has increased to 38. None has received significant revenues from this source.

Those counties that received substantial funding from charges on real estate transfers—Dade (FL), Howard (MD) and Aspen/Pitken (CO)— based their charges on the value of the property. This was consistent with state HTFs using similar revenue sources. Again, only part of these charges was dedicated to the HTF.

A number of county HTFs derived their dedicated funding for charges on development activity. These counties were in California and Virginia, and relied respectively on linkage fees and development proffers that generated between $500,000 and $1,400,000 in 1996. Like their city counterparts, these programs varied widely in the fees charged and the types of developments affected.

Local taxes, particularly sales and restaurant taxes, were the only other group of productive revenue sources for county HTFs.

Seven county HTFs collected $1 million or more in dedicated revenue (Table 3b), and another nine collected over $500,000. King County WA, which had received more than $1 million in previous years from a real estate excise tax, changed its dedicated funding in 1996, to annual appropriations from the county.

The two most productive county HTFs in 1996 were both in Dade County FL. One collected $14 million from a documentary stamp fee of $0.45/$100 value of the property being transferred, and the other $7.5 million from a one per cent tax on bills in large restaurants licensed to serve alcohol.

Table 3a:
Dedicated Revenue Sources for County HTFs: 1996

Source	Number of HTFs Using Source
Deed and mortgage recording fees	20
Real estate transfer taxes	2
Documentary stamp taxes on deed transfers	1
Document recording fees	3
Linkage fees	3
Developer proffers	2
Sales tax	2
Restaurant tax	1
Condominium conversion tax	1
Administrative fees for particular program	2

Table 3b:
County HTFs with Most Dedicated Revenues: 1996 and 1998

County	Amount ($ mil) 1996	1998	Source
Dade FL	14.0	8	Documentary stamp tax
Dade FL	7.5	-	Food and beverage tax
Aspen/Pitkin CO	2.4	-	Real estate transfer tax and sales tax
Sacramento CA	1.4	-	Linkage fees
Howard MD	1.2	1.2	Real estate transfer tax
Dayton/Montgomery OH	1.0	1.0	Sales tax
Fairfax Co VA	1.0	-	Development proffers

Table 4:
Description of Selected Revenue Sources

Development Charges

Linkage fees (also known as mitigation fees and impact fees): exactions required from developers of commercial and other job-generating projects as a condition of development approval.

Inclusionary zoning fees: payments made by developers of residential projects in lieu of affordable housing required by inclusionary programs.

Housing excise taxes: taxes paid by developers of new projects as a condition of development approval; they are like linkage fees but based on the local government's taxing authority rather than zoning authority.

Developer proffers: contributions made by developers of new projects as a condition of development approval; like linkage fees, they are mandatory, but are described as voluntary.

Developer payments, transfer of development rights: payments made by developers of commercial projects in exchange for the development rights of existing low-income residential properties.

Developer payments, density bonuses: payments made by developers of commercial projects in exchange for additional development density.

Condominium conversion taxes or fees: payments required before existing rental properties can be converted to condominiums or some other uses.

Property Transactions

Real estate transfer taxes (also called real estate excise taxes, documentary stamp taxes on deed transfers, title transfer taxes and real estate conveyance fees): charges made when property is transferred, typically based on the value of the property.

Document recording fees: charges made for recording documents (e.g., mortgages, deeds, marriage licences and liens) with official recorders, typically based on a standard rate not related to the value of the property.

Mortgage recording fees: charges made for recording mortgages, typically tied to the face value of the mortgage.

Interest from real estate escrow deposits: interest on pooled accounts for various escrows (e.g., the initial security deposits, downpayments and final payments) routinely held for short periods by realtors, lawyers, escrow companies, title search companies and other agents, and deposited in trust accounts with banks and other financial institutions, until the real estate transactions are completed.

Other

Property tax increments: the increased property taxes resulting from new development.

Surplus bond reserves: surpluses in reserve funds (held to protect bond holders against loss in the event that the projects supported by the bond proceeds default on payments) that increase over time as the projects mature and the funds generate interest.

Unclaimed property proceeds (also known as abandoned or escheated property): proceeds from property (e.g., securities, real estate and financial assets including dormant bank accounts) that accrue to the state after a prescribed time when there are no known survivors of deceased owners or when there is no will to assign the assets.

Interest on tenant security deposits: interest on pooled deposits made to landlords and management firms by tenants for last month's rent.

Unclaimed utility deposits: unclaimed pooled deposits made as security for service connections to water, sewer, gas, electricity and telephone.

Employer contributions: surcharge on wages paid by employers of hotel workers as a result of a labour arrangement bargained by local union.

Administration and Funding

Most HTFs have their mandate defined in the establishing legislation or ordinance. This will generally cover such aspects as their administrative structure, and the funding criteria and procedures in various degrees of detail.

Administrative structure

In nearly all HTFs, the staff in existing agencies or departments is responsible for the day-to-day administrative duties. The few exceptions are two city HTFs operated by a foundation six city or county HTFs operated by non-profit corporations or entities, and one state HTF run by a quasi-public board established to run both a housing and conservation trust.

Roughly half or more of the HTFs have separate boards, commissions or committees to oversee the operations. Typically, the representatives sitting on these bodies come from the main groups involved in affordable housing: government officials, realtors, bankers, developers and housing advocates. Sometimes, service providers, community representatives and outside experts are also included.

The responsibilities of these separate bodies vary. Some have almost total responsibility for the activities of the fund, including the awards process. Others are only advisory and make recommendations mainly on funding priorities and procedures.

The final decision-making authority for the HTFs, and specifically over what projects are funded, varies. At the county and city levels, the elected officials generally retain this authority, but sometimes it is given to the oversight boards. At the state level, either the boards or senior civil servants typically hold that responsibility.

Nearly all of these bodies are established specifically to oversee the HTF, but some states make use of existing oversight bodies responsible for other state housing programs.

There are six county-based HTFs that also operate in one or more separate municipal jurisdictions with the county. All of these have different and special administrative arrangements.

Affordability criteria

Roughly one half of the HTFs require that funding be used for households earning at or below 80 per cent of the area median income.[2]

Roughly a quarter have lower-income thresholds. Some go as low as 30 per cent. A few specifically target the homeless or those facing the threat of becoming homeless.

Those with higher income thresholds often require that a certain proportion of the funds be used for lower income households, and usually very low incomes.

As one of the funding conditions, most HTFs require that units be made affordable to specified households for a long time or permanently.

Only a few have no affordability requirements.

Funding targets

Most HTFs broadly support all types of housing affordable to lower-income households, but there are some with a narrow or specific focus. This was typically expressed through the applicants and activities they identify as being eligible for funding.

Those with a broad mandate typically include non-profit, for-profit as well as governmental entities. Some other eligible organizations include religious organizations, Aboriginal groups, social service providers, community land trusts and private individuals.

In a similar vein, those with a broad mandate typically fund both rental and homeownership units, and include such activities as homebuyer assistance, housing construction and rehabilitation, and property acquisition. Most include capacity building, pre-development work as well supportive programs related to the housing. Some add special

types of housing such as limited equity cooperatives, transitional housing and federally assisted units made vulnerable by funding cutbacks.

As indicated, many of the HTFs support capacity building. This refers to both technical and financial assistance directed at enhancing the technical capability of the non-profit organizations to develop and manage lower-income housing.

Only a minority of HTFs allow funds to be used for rental assistance or operating subsidies.

Some HTFs with a broad mandate use other prescriptions, such as "setasides" or preferences, to ensure that funding goes to particular needs. Setasides require that a minimum proportion of the funding be allocated in certain ways. Preferences give priority to certain projects and programs in the evaluation process. These are used especially to help the homeless, ill or handicapped, elderly or other vulnerable households or individuals.

Some HTFs, as previously noted, were established only to address specific needs. For example, some HTFs target only the homeless or other special groups, emergency housing, rural areas, rental assistance or home purchase. These or other HTFs might limit funding entirely to non-profit organizations, tenants or homebuyers.

The jurisdictions with two or more HTFs often reflect these different approaches. For example, Dade County, Nevada and Boston all have one HTF with a broad mandate and a second with a narrow focus. Their second HTF is dedicated respectively to assisting the homeless, mobile homeowners and hotel workers.

Allocation procedures

HTFs have a wide variety of procedures to allocate funds. Most use generic applications—either a request for proposal (RFP) or a notification of funding availability (NOFA)—on a regular or annual basis with designated application deadlines.

Others, mainly at the local level, use an open application process that considers applications at any time. A few also allow staff to identify potential candidates or solicit proposals for the funding.

A few state HTFs allocate funds regularly to other ongoing housing programs or to local housing agencies, responsible for deciding which projects are funded. Florida's HTF is a notable example of this approach.

Most HTFs coordinate their application procedures with the other funding programs, particularly the CDBG and HOME grants they administer. This generally involves using the same deadlines for the applications and, sometimes, a single application for the various programs. This enables the staff to decide which funding source is most appropriate for the particular applicants.

A small number of HTFs, mostly at the city level, require the applicants to bring matching funds from local sources.

Most HTFs provide grants or loans, but many city HTFs give only loans, while being flexible about repayment.

4. PROFILES OF SELECTED AMERICAN HTFS

The profiled HTFs were selected to provide a broadly representative sample, while still focussing on those that have been the most productive or have taken otherwise instructive approaches. Included are two state, two county and four city HTFs that use different revenue sources and administrative structures.

The following profiles describe these HTFs.

- **Florida's State Housing Initiatives Program** has been the largest HTF in the United States on the basis of the funds it collects and distributes. These funds are derived from a state-wide documentary stamp tax paid on real estate transfers. The program is also relatively unique in that it allocates the funds to the local jurisdictions, which are responsible for selecting which local lower-income housing projects and programs are assisted. Through this process, it also obliges the local jurisdictions to make their regulations and procedures more receptive to affordable housing.

- **Missouri's Housing Trust Fund** is representative of many state housing trust funds. It is run by a state agency that awards the funds to a wide range of eligible programs and projects serving low-income households, including the homeless in particular. The funds are derived from a standard fee for the recording of legal documents related to real estate.

- **King County's Housing Opportunity Fund** was established to support affordable housing across a number of constituent municipal jurisdictions and unincorporated areas. It operated for a number of years on an excise tax on real estate transactions, but that funding was terminated recently when the enabling legislation "sunsetted." It is now in the process of implementing a combination of new dedicated sources: various contributions from its constituent municipalities, a county-wide property surtax, as well as a renewal of the real estate excise taxes. The funding is used to serve homeless, displaced and other populations in special need.

- **Dayton and Montgomery County's Affordable Housing Fund** serves both the city of Dayton and the surrounding county of Montgomery. It is run by one of the few private and independent organizations with its own staff. It is also relatively unique for combining the functions of a housing trust fund with many of those of a housing partnership. It is funded through a local sales tax, and supports a wide range of projects and programs for lower-income households.

- **Boston's Neighborhood Housing Trust** over the years has been the most productive of the city HTFs. It uses linkage fees charged on offices and other major developments to provide housing and programs for lower-income households. It is operated by a semi-independent public charitable trust board and relies on extensive public consultation before making its funding decisions.

- **Boulder's Community Housing Assistance Program** is one of the largest HTFs when measured against the population of jurisdiction. It raises dedicated funds from a property tax surcharge and housing excise taxes, and targets what the city calls the "working poor." This is only one of many coordinated initiatives that address various other groups. The community has considerable input into the awarding of the funds.

- **Berkeley's Housing Trust Fund** takes a different approach by combining a large number of ongoing and irregular dedicated funding sources, including the city's block grants from the federal government. It was established to coordinate and more effectively use these disparate and individually small sources. It funds a broad range of lower-

income projects and programs through a competitive awards process that engages outside experts and the public.

- **Santa Fe's Community Housing Trust Fund** is run by the Santa Fe Affordable Housing Roundtable, a singular coordinating committee combining representatives of the civic government and the major community-based housing providers. It uses cash contributions from developers as its dedicated funding source. It funds a variety of housing projects and programs for lower-income households, but only those that are developed and operated by its own members.

Florida: State Housing Initiatives Program

Background

Florida's housing trust fund, the State Housing Initiatives Program (SHIP), was created by the passing of the *William E. Sadowski Affordable Housing Act* in 1991. SHIP was the main component of that legislation, but it also established a funding process for several other existing and new state affordable housing programs. Among these are programs providing pre-development loans, rental construction loans, homeownership assistance, emergency home repair assistance and matching funds for the federal HOME program.

SHIP was conceived by an ad hoc working group, organized by the governor in 1991 to identify a state-based way of funding affordable housing. That group contained developers, lenders, affordable housing advocates as well as legislative staff. It recommended both the creation of a housing trust fund and its funding source.

The recommendations and subsequent legislation were supported by a broad-based consensus of many divergent state-wide interests, including homebuilders, real estate professionals, growth management advocates, government agencies, non-profit organizations and others.

These recommendations were influenced by an earlier and successful housing trust fund in Dade County FL, which had been using a similar source of revenue since 1983.

Purpose

SHIP is directed at stimulating and supporting affordable housing initiatives undertaken by local governments. It particularly promotes the use of community-based partnerships involving private lending institutions, non-profit organizations and government entities.

Source of funds

All the Sadowski housing programs are supported by dedicated revenues from a documentary stamp tax paid on transfers of all real estate at the time of closing.

The tax was implemented in two steps. First, beginning in mid-1992, the existing tax was increased by $0.10 from $0.60 to $0.70/$100 in the value of the deed. Then, in mid-1995, a further re-allocation of $0.10 was made from the money already collected. Out of this dedicated amount, roughly 70 per cent over the years has gone to SHIP, and the remainder to the various other programs. The allocation is decided annually.

In its most recent fiscal year, 1998-99, the state collected over $590 million from the documentary stamp tax. Out of this amount, nearly $169 million was dedicated to the Sadowski housing programs, and $123.1 million allocated specifically to SHIP.

The figures have steadily risen over the years from an initial SHIP allocation of $18 million in 1992-93. In addition to the doubling of the dedicated amount, that rise also reflects the considerable increase in real estate activity in the state in recent years.

The other funds collected from the documentary stamp tax go to the state's general revenues as well as many specific non-housing programs addressing beach restoration, water management, land acquisition and others needs.

Administration

SHIP is administered by the Florida Housing Finance Corporation. This non-profit corporation was created at the end of 1997 to replace the state's Housing Finance Agency. State housing finance agencies are authorized generally to finance the construction of multi-family and single-family housing for both lower-income and middle-income households by various means, including through money raised from the issuance of tax-exempt bonds.

This new quasi-governmental organization retains all the functions of the state's former housing finance agency. It represents one of a handful of housing finance agencies that have been reconstituted in this way. In Florida's case, it was done to give the organization more flexibility in how it could lend money.

SHIP is relatively unique among HTFs in how it supports affordable housing. Virtually all the others award funds on a competitive basis directly to projects and programs. SHIP disburses the funds to local governments, which are responsible for selecting the projects and programs to be supported.

The funds are disbursed monthly to the eligible local jurisdictions, which include all of the state's 67 counties and its 48 cities larger than 50,000. The amounts are based on population. The allocation to the counties ranges from a minimum of $350,000 to a maximum of $5.9 million annually. The amount going to cities is prorated according to their share of the population of their respective counties.

Use of funds

The local governments are required to meet certain administrative conditions before they are given the funding, and then to use it within certain prescriptions. Overall, relatively few limits are placed on them. The intent of the program is to allow local governments as much flexibility as possible in how they meet their housing needs.

Local obligations

Before receiving SHIP funds, the local governments must do essentially the following: create a local trust fund as the depository for the funds, establish a local advisory committee and prepare a local housing plan.

The advisory committee must have nine members, with six of those representing specifically the homebuilder, banking, construction labour, low-income housing advocacy, affordable housing development and real estate interests. The committee is expected to undertake a public review of the local policies, procedures, regulations and plans affecting housing development; and through that review, to identify where cost-saving measures can be introduced and how the provision of affordable housing can be encouraged or facilitated.

Through this plan, the local government must set out the specific initiatives to be used in promoting affordable housing. At a minimum, they must commit to a schedule for the above-mentioned review. They are also expected to identify how SHIP monies will be combined with local private, non-profit and public resources and organizations in the provision of affordable housing.

This plan must be submitted to, and approved by, a state planning agency. SHIP staff is available to work with the local governments in the development of their housing programs and their compliance with SHIP requirements.

All eligible cities and counties have been approved for SHIP funding.

State limitations

All the funding must be used for housing affordable to households earning at or below 100 per cent of the area median income. Out of that 30 per cent must be used for those earning at or below 80 per cent, and 30 per cent for those earning at or below 50 per cent.

Out of this funding, 75 per cent must go for new construction, rehabilitation or emergency repairs, and 65 per cent on homeownership. The rest can be used for downpayment and closing assistance, construction and gap financing, mortgage buy-downs, land acquisition, counselling services and matching funds for federal assistance. Up to 10

per cent of SHIP allocations can be used for program administration.

No funds can be used for rent subsidies.

SHIP money must be used within two years of its disbursement.

Accomplishments

In the six years since its inception through the end of the 1999 financial year, SHIP has disbursed over $359 million with about one third released in the last financial year.

Matching up-to-date figures are not available on the number of units assisted because of the lag in using the funds and also in completing and reporting the units. At the current funding level, SHIP is probably assisting roughly 10,000 units annually across the state. This figure includes units receiving various forms of assistance that might range anywhere from $5,000 up to $50,000.

Through mid-1997, SHIP provided $45.8 million in support for the construction or rehabilitation of 9,200 homes. These funds were used with another $318.2 million in other funds coming from federal block grant programs, federal low-income housing tax credits, bond and private lending, other state funds and foundations.

In 1999, the Florida Housing Finance Corporation had a total budget of nearly $380 million in state and federal dollars for various housing programs (Table 5). In addition to its $123.1 million allocation, SHIP carried over some funds from the previous year.

Missouri: Missouri Housing Trust Fund

Background

Missouri created its housing trust fund in 1994 after a six-year effort. It took repeated attempts at legislation, and considerable research, coalition building and education to overcome the political opposition. A massive flood that destroyed 15,000 homes was a decisive factor.

Table 5:
Budgeted Funds for the Florida Housing Finance Corporation 1999

	$ million
SHIP	123.9
Apartment loan program	32.5
Homeownership assistance program	6.6
Pre-development loan program	1.3
Other programs	4.6
State-funded (Sadowski) programs	169.0
Mortgage revenue bonds	162.1
Housing credits	18.7
HOME grants	18.4
Rental assistance (section 8)	11.5
Federally funded programs	210.6
Total	**379.6**

Jurisdiction: State of Florida

Name: State Housing InitiativesProgram (SHIP)

Population: 14.7 million

Start: 1992

Purpose: To stimulate and support affordable housing initiatives by local governments, particularly those involving community-based partnerships of the non-profit, private and government sectors.

Income Target: Households earning at or below 100 per cent of the area median; 30 per cent must be used for those earning at or below 80 per cent and 30 per cent for those at or below 50 per cent.

Funding Source: Dedicated revenues from a documentary stamp tax collected on real estate transfers by the state.

Funding Amount: $123.1 million in 1998-99 fiscal year.
$359 million in total to end of 1998-99

Notable Features: SHIP is the largest housing trust fund in the United States.

The funding is disbursed on the basis of population to counties and large cities, which are responsible for determining what programs and projects are awarded within broad state guidelines.

The state-wide association of social welfare workers played a key role in developing grass-roots support for the fund. It conducted and published research on the pervasiveness of homelessness throughout the state, and used its annual conferences as a forum for highlighting the housing needs of the state. The association also spearheaded the support drive and getting endorsements from over 100 organizations across the state.

Opposition to the HTF came from two sources: the general public which was against tax increases on any kind and the real estate industry because it felt the proposed fees would adversely affect selling and buying real estate. The real estate industry eventually withdrew its opposition, accepting that the proposed fees were modest relative to the housing need.

Through legislation passed in 1990, the state also enabled counties to establish their own separate housing trust funds, based on additional recording fees for transactions in their jurisdictions (see Appendix C). Three counties have taken advantage of these provisions.

Purpose

The purpose of the HTF is to support the viability and stability of housing that is affordable to low-income families earning at or below 50 per cent of median family income. Its major focus is to provide gap funding for housing programs and developments funded primarily by federal programs and other sources.

Source of funds

The HTF is supported by document recording fees collected by the state. To be specific, a $3 fee dedicated to housing is charged—in addition to the previous $4 fee—for recording, transferring and changing legal documents related to real estate transactions and ownership.

The document recording fees have generated $19 million in dedicated revenue for the HTF through 1999. This includes allocations of $2.8 million in 1995 (awarded in 1996), $3.6 million in 1996, $3.7 million in 1997, $4 million in 1998 and $4.9 million in 1999. Another $600,000 has also been collected in interest charges.

Administration

The HTF is part of the Missouri Housing Development Commission (MHDC), which serves as the state's housing finance agency. As such, the MHDC also administers the state's HOME funds, its tax credits and bond financing, and other state funding for affordable housing.

The MHDC has nine members: the governor, lieutenant governor, attorney general, treasurer and five local representatives. The latter are selected to represent various areas across the state, and to bring a diversity of expertise in banking, real estate, development and other relevant fields.

The fund is administered by a full-time administrator and one staff member. They are responsible for preparing and coordinating the application procedures, and monitoring compliance and tracking disbursements. They also publish an annual report identifying the types of projects assisted and the fund expenditures made. The administrative costs are paid out of the dedicated fees, and are limited to a maximum of two per cent of those funds.

An internal committee of the trust fund and other MHDC staff evaluate applications. The committee makes preliminary recommendations to the executive director of the MHDC, who makes the final recommendations to the commission for its approval.

An advisory committee assists in reviewing and revising the policies, regulations and guidelines of the fund. Its roughly 15 members are appointed by the head of the MHDC and represent diverse housing interests, including non-profit organizations, homeless advocates as well as private developers. The committee, which is an offshoot of the coalition behind the founding of the fund, also continues to act as a lobby group for more support for lower-income housing.

Use of funds

The HTF awards the funding annually. It initiates the process by issuing a "notice of funding

availability" but continues to accept applications throughout the year until the funds are depleted. Typically, it gets about 100 applications each year; about half of these are generally funded, but often only at half of what was requested.

The organization has not developed extensive guidelines. With the exception of certain overall requirements and directives, it prefers to retain some flexibility in how the funds can be used on a year-by-year basis.

All households assisted must have incomes at or below 50 per cent of median family income. At least half of the funds awarded biannually must go to households earning at or below 25 per cent.

Any organization, firm or person—for-profit or non-profit—involved in housing development, community services or economic activities in the state can receive funding. At least 30 per cent of the funds biannually must be given to non-profit organizations.

The activities eligible for funding include, but are not limited to, the following:

- temporary housing for the homeless, including acquisition, construction and rehabilitation of emergency and transitional housing;
- housing for populations with special needs, including transitional housing, rental assistance and additional permanent housing through development, acquisition and rehabilitation;
- rental and for-sale housing through new construction, acquisition and rehabilitation;
- emergency assistance, such as temporary rent, mortgage and utility payments, to prevent homelessness;
- rental assistance programs for low-income families;
- home repair programs for owner-occupied homes;
- capacity building for rural non-profit organizations; and
- matching funds for social services for tenants with special needs in assisted developments.

The guidelines allow for providing funding through grants and loans. In practice, the HTF mostly has provided grants because they are the best way of assisting the people it targets.

When making the awards, priority is generally given to applications serving the most pressing housing needs, particularly those that:

- provide housing and housing assistance for the lowest income households, the elderly, small families or large families, and low-income families in areas with significant need;
- leverage other public or private funding;
- incorporate support services for special needs families; and
- use the funding with other community or neighbourhood assistance programs.

Consideration is also given to providing a fair geographic distribution across the state.

When an application involves a development of 12 or more units, comments are sought from the local officials and elected representatives from the area in which the project is located. In all cases, applicants are strongly encouraged to meet with the local elected officials, neighbourhood organizations and social service providers.

Accomplishments

As of the end of 1998, the HTF has committed nearly $10.5 million to more than 100—mainly non-profit—organizations across the state. Through this funding, it has been assisting approximately 2,000 households each year through a variety of programs.

It has supported a major state-wide non-profit organization in efforts to prevent homelessness. That organization provides emergency aid in the form of rental assistance, mortgage and utility payments, rent or utility deposits, as well as minor home repairs and other expenses associated with finding affordable housing.

The HTF also works with two state departments in providing transitional housing for mental health patients and their families, and for homeless veterans.

Through other local non-profit organizations, it has funded a similar range of community-based home repair and tenant assistance programs, as well as emergency shelters and transitional housing for the homeless and for abused women.

The HTF has provided little funding for construction and rehabilitation, and most of that has gone for emergency housing of some type. In meeting its mandate to help those in greatest need, it has found that its limited resources are most effectively used in supporting various assistance programs rather than development.

The state funnels its funding for the development of lower-income housing through other sections of the MHDC that are separate from the HTF. In the current year, it is distributing another $9.3 million in federal HOME funds, $6.7 million in federal low-income housing tax credits and a matching amount in similar state tax credits, and $6.7 million in loans from its tax-exempt bonds. This money is used to support rental housing construction and renovation, home mortgages and improvements, neighbourhood housing groups and various other housing-related programs.

Summary

Jurisdiction:	*State of Missouri*
Name:	*Housing Trust Fund*
Population:	5.4 million
Start:	1994
Purpose:	To support the viability and stability of housing to lower-income households, specifically assisting the homeless or assisting those at risk of becoming homeless.
Income Target:	Households earning at or below 50 per cent of the area median income.
Funding Source:	Dedicated revenues from document recording fees collected by state for recording, transferring and changing legal documents.
Funding Amount:	$15.4 in total to end of 1998 (excluding $600,000 in interest). $4.9 million in last fiscal year.
Notable Features:	Most funding has gone toward support of various programs run by non-profit organizations rather than construction of housing. This is considered to be the most effective use of resources in assisting their targeted clientele.
Accomplishments:	Assistance to approximately 2,000 households per year at current funding levels. The state also supports various other affordable housing programs using other funds derived from the documentary stamp tax.

King County WA: Housing Opportunity Fund

Background

King County's housing trust fund, the Housing Opportunity Fund (HOF), was established in late 1989 and started operations in 1990. The fund serves the 40 incorporated suburban municipalities of the county as well as the unincorporated areas, which together have a population of 1.66 million. Seattle, which is in the middle of the county, operates its own housing programs.

The campaign to create a housing trust fund was the result of a grass-roots effort launched by a county conference on affordable housing in early 1989. Out of this conference emerged a broad-

based coalition in support of the county establishing a fund to address homelessness and affordable housing. That coalition included affordable housing developers and advocates as well as many community and civic organizations. The initial idea was to get $4 million from a dedicated source of revenue and possibly a county-wide tax levy.

The creation of the HTF was spurred by a number of factors including the rapid growth and accompanying rising house prices in the area around Seattle, the county's new growth management policies that obliged municipalities to plan for lower-income housing, and the county's charter obligations that require it to assist special needs groups with appropriate housing and other services.

The HOF was funded at its inception by a dedicated revenue source—real estate excise taxes collected by the state. The enabling legislation was specific to King County. At the last minute, to get the legislation passed, a five-year sunset clause was included. As a consequence, the opportunity to use this source expired in 1995. Since then, the county has been pursuing other sources.

In 1993, the state also enacted legislation enabling all jurisdictions to dedicate a property tax increase for lower-income housing programs for up to 10 years (see Appendix C). The jurisdiction must declare that there is an emergency with regard to housing, and obtain a majority vote from the electorate. Seattle used these provisions to dedicate a funding source for seven years starting in 1996 for one of its two housing trust funds.

Purpose

The HOF was created primarily to assist the homeless, displaced and others with urgent housing needs in the county. It was intended to provide local funds that would enable housing providers to secure federal, state and other funds.

Source of funds

The HOF was funded from 1990 to 1995 through real estate excise taxes (REETs). These taxes, which are collected by the state on real estate transactions, are generally designated for the infrastructure needs of the counties in the state. For this period, the state allowed King County to use them also for lower-income housing. Approximately $15 million was provided to the HOF from this source over this time.

Until a new dedicated source is established, the county has continued to fund the HOF through annual appropriations from its general revenues. It provided $1.3 million in 1996, and $1.5 million in both 1997 and 1998.

Various other county departments, programs and commissions have appropriated a total of about $5.7 million at various times to the HOF. These agencies are responsible for special needs—mental health, veterans, alcohol and substance abuse, and children and family—and have provided the money in support of housing for these particular groups.

In 1996, the county endorsed, in principle, two new sources, but so far has not secured them.

- *A county-wide levy derived from property taxes*: Increases in local property taxes are limited by the state, but there are various options open to the county for securing the necessary increases. It can allocate some part of the potential increase still available within its existing cap. It can seek legislative changes that would allow increases dedicated specifically for lower-income housing to be exempt from this limit. Finally, it can seek voter approval for the emergency funding provisions previously noted.

The target set for this levy is $9 million to $18 million annually This amount could be raised from a property tax increase of $0.10 to $0.20/$1,000 in assessed value.

At present, the county is exploring how best to coordinate its efforts with those of Seattle, which must renew it dedicated levy from property taxes within the next three years.

- *A state-collected charge on real estate activity*: State legislation has been introduced

to re-establish REET funds as a permanent source, but so far has not passed, largely due to the opposition raised by the real estate industry.

The annual target is $3 million, or roughly what was previously provided from this source.

The county also has considered seeking legislation to increase the fees on the recording of housing-related documents such as liens, title, mortgages, leases and loans for refinancing. These fees would be based on a smaller and standard charge, but would affect many more transactions than REET.

The country is in discussion with the state over a proposal put forward by the real estate industry and a major advocacy group for affordable housing. The industry has indicated a willingness to drop its opposition in exchange for the county being given greater authority to overcome restrictive development practices used by some municipalities.

Administration

The HOF is administered by the county Department of Community and Human Services, which is in its Housing and Community Development Program. A staff of two to three process the applications and handle other day-to-day responsibilities. The administrative costs are covered by general appropriations.

Overall structure

The HOF is one housing finance program administered by King County for the unincorporated areas and a consortium of 40 incorporated municipalities within its borders. These communities organized the consortium in 1975 to address their lower-income housing needs in a coordinated manner. The size and character of the consortium has evolved since then, especially as more communities have been incorporated.

The county also receives and administers the federal HOME funds for the consortium, and the housing-related CDBG funds for about half of them. Three of the larger cities within this consortium receive their own CDBG funds directly from the federal government, and the others have decided to administer their share of CDBG funds on a "pass-through basis" from the county.

In this consortium, the county is responsible for the overall planning for assisted housing and coordinating the housing implementation activities of the local jurisdictions and their public housing authorities and non-profit organizations. It also administers other targeted programs for home repairs and rehabilitation, homelessness prevention, emergency shelters for the homeless and rent subsidies for homeless people with disabilities.

An inter-jurisdictional committee serves as the policy-making body of the consortium, and also makes decisions on the awarding of the HOME, CDBG, HOF and other shared funds. The committee consists of four elected officials or department directors from the county, and five elected officials from the suburban cities. Local planning directors often attend in place of the elected officials.

Awards process

The awards process for HOF is combined with that for the county's grants from the federal HOME and CDBG programs. Initially, a "notice of funding availability" is sent to potential providers they have identified over time, and then a request for proposal to those that express an interest.

Staff members review all applications, checking for completeness and credibility. When necessary, the applications are sent to two outside groups. Local housing and health officials are asked to confirm the housing needs and problems in the areas that will be served by the proposed projects. An advisory panel of outside experts in banking and development reviews their financial aspects.

Staff consolidates the findings, makes preliminary recommendations to the inter-jurisdictional committee identified earlier and continues to work closely with this committee during its deliberations. The committee has the authority to select the projects funded by all the sources

except the HOF. Recommendations regarding the HOF must be approved by the director of the department.

Use of funds

The HOF is directed at projects providing permanent rental, transitional and emergency housing for the neediest residents of the county. Specifically targeted are the homeless, those at risk of displacement and homelessness, and others with special needs. It also supports related services needed by these households and individuals.

All the funding must go to low-income families or persons earning at or below 50 per cent of the county's median income.

Eligible activities include acquisition of property, rehabilitation, construction, capacity building and project management. Funding also can go to preserve existing assisted low-income housing threatened by the expiration of the federal controls on their affordability.

Eligible providers include public housing authorities, non-profit organizations, for-profit entities (but only for new construction) and local governments. Partnerships are strongly encouraged.

The HOF provides either loans or grants, depending on the needs of the program or project. It provides grants particularly for capacity-building efforts, which has taken a significant part of its funding.

When the projects and programs are evaluated, consideration is given to:

- their compatibility with the funding priorities;
- the needs of the proposed residents;
- their feasibility, design and scope of work; and
- the capability and experience of the sponsor and the development team.

Maximums are placed on the subsidy: $37,500/unit for multi-family construction, $33,000/unit for multi-family acquisition and rehabilitation, and $25,000/bedroom for acquisition and rehabilitation of existing single-family or duplex housing.

These criteria have remained, with only minor changes, since the inception of the fund.

Shared commitment program

In 1996, the county established another housing program, which is administered separately from the HOF, but deserves mention because it represents another locally based way of supporting housing.

Under its "shared commitment program," every jurisdiction within the county has been asked to make an additional voluntary and long-term commitment. The commitment is based on $2/resident/year, but this figure is adjusted according to the percentage of lower-income housing in each community relative to the county average. To be more specific, communities with a share higher than the average have a proportionally lower commitment, while those with a lower share have a correspondingly higher commitment.

The contribution can be provided either through new funds or additional in-kind contributions. The funds typically come from general accounts, bond issues and additional allocations from CDBG funds when individually administered. The in-kind contributions come from donated land, density bonuses, waivers of school and mitigation fees, and any other sources that have a quantifiable financial value. Although it does not count toward their commitment, recognition is also given to other efforts, such as zoning to permit small lots and accessory apartments, that facilitate indirectly the provision of affordable housing.

Based on its current population, the program has a target of $3.3 million to raise. In 1997, the contributions generated $2.4 million—half in funds and the rest through in-kind contributions. In 1998, contributions came to about $2.9 million, of which 70 per cent was funds.

These contributions are administered by individual jurisdictions, and not by the county. It merits noting that many municipalities combine their contributions on projects that are located in one

or other of the communities. Unlike the HOF, the contributions must be used for households earning 80 per cent and below of the median income. Unlike the HOF, assistance under this program is limited to households earning at or below 80 per cent of the median income. Nevertheless, most is directed particularly to those with little or no income, the elderly and homeless, and others with special housing needs.

Accomplishments

From its inception in 1992 through mid-1999, the HOF has awarded over $24 million in support of nearly 2,300 units in 91 projects.

Included are rental apartments, single-family and mobile homes, and projects providing emergency shelter beds, single-room-occupancy (SRO) units and shared single-family residences.

Most projects have been undertaken by non-profit organizations, but the HOF has also funded some private developers when constructing mixed-income projects.

Nearly 75 per cent of funds have gone to households with incomes below 30 per cent of the median income for the county, and 60 per cent for people with special needs. The latter group includes individuals suffering from HIV/AIDS, alcohol and drug abuse, domestic violence, physical and mental disabilities as well as at-risk youth, teen parents and their children, and frail elderly individuals.

The breakdown of the housing units supported by the HOF is as follows:

- 35 per cent for special needs groups;
- 33 per cent for households at risk of losing their affordable housing;
- 16 per cent for low-income families and seniors;
- nine percent for teen parents and homeless youth; and
- seven per cent for homeless families and individuals.

In addition to the accommodation, the HOF has provided funding for the supportive services linked to the housing for the youth, homeless and special needs populations.

These projects were able to raise another $121 million from other funding sources. Overall, 44 per cent came from federal, state and local governments; 18 per cent from charitable contributions and owner equity; and 38 per cent from mortgage and bond financing, and tax credit investments.

Summary

Jurisdiction:	*King County, Washington, and 40 separate incorporated municipalities within county.*
Name:	*Housing Opportunity Fund*
Population:	1.66 million
Start:	1989
Purpose:	To provide housing and associated supportive services for the homeless, displaced and others with urgent housing needs.
Income Target:	Households earning at or below 50 per cent of the area median.
Funding Source:	The fund has supported from the following sources: • Dedicated revenues from excise taxes on the transfer of real estate (REET) until terminated in 1995. • Irregular contributions from various agencies responsible for serving special-needs populations. • Annual appropriations from the county to replace dedicated revenues in 1996-98. Two new dedicated sources, which have been endorsed but not yet secured, are a county-wide property tax levy and a re-instatement of REET.

Funding Amount:	$24 million in total through mid-1999. $15 million over five years from REET.
Notable Features:	The fund is administered by the county on behalf of a consortium of separate municipalities as a way of providing a coordinated regional approach to affordable housing. It is only one of several housing programs administered in this way.
Accomplishments:	Provision of nearly 2,300 units and also assistance for supportive services associated with those units.

Dayton/Montgomery County OH: Affordable Housing Fund

Background

The Affordable Housing Fund (AHF) was established in 1990 as a private and charitable non-profit organization. Its original name, until changed in 1995, was the Dayton and Montgomery County Housing Commission. This housing trust fund operates in two jurisdictions: the city of Dayton and the surrounding Montgomery County.

The process that led to the AHF started with a series of meetings in the mid-1980s arranged by the Religious Coalition, a group of religious leaders, that brought together many local political leaders and private business executives. The coalition was concerned about the ineffective way the community was addressing its affordable housing needs.

These meetings culminated in the appointment in 1989 of a task force on low-income housing composed of public officials, business and religions leaders, and representatives from most of the local housing organizations. It was charged with developing recommendations for a long-term strategy and a consolidated approach to promote and fund the development of affordable housing. Its key recommendation was to form a new body, which became the Affordable Housing Fund, "to serve as the umbrella organization and top ranking agency in the designated region in matters of housing."

Since its founding, the AHF has been operated by an independent organization, but this will change by the end of 1999. The housing trust fund will be incorporated into the County Corporation, a non-profit corporation established by the county in 1979. Since that time, it has been principally engaged in awarding the federal block grants received by the county. Although a separate arms-length organization, this corporation is under the control of the county, which pays for much of its operating expenses and oversees its activities.

Purpose

The AHF was established as the "umbrella organization" to promote the development of affordable housing for lower-income households in the city of Dayton and Montgomery County. It has fulfilled this mission in three fundamental ways: by administering dedicated revenues, coordinating the efforts of the various local housing and service organizations, and increasing the private sector's involvement in the financing of affordable housing.

In those latter two activities, it has taken on functions associated more with housing partnerships in the United States than housing trust funds. For that reason, they are only briefly reviewed in this report.

In its coordinating efforts, the AHF strives to bring together appropriate participants in affordable housing projects—developers, service providers, lenders, funding sources as well as others such as consultants and property managers. Where necessary, it assists in structuring the formal relationship between these parties. Its objectives are to use existing resources as effectively as possible, and to create innovative arrangement that enhance both the social and economic benefits of the projects.

In its financing efforts, the AHF strives to improve the access of non-profit builders and lower-income homebuyers to private financing. For example, it has worked with lending institutions

to change their underwriting standards and to provide more flexible terms for loan financing. It has also used AHF funds to guarantee at-risk loans by these institutions, and is creating a new lending consortium.

Source of funds

The AHF receives $1 million each year from a local sales tax collected by Montgomery County. The funds come from an 0.5 per cent increase in the tax, which has been committed to providing $5 million for economic development, $1 million (later, $2 million) for the arts, as well as the money for the AHF. These funds, which initially were committed for 10 years starting in late 1989, have been extended.

The AHF has also received additional funds at various times from additional sources: $12,000 from three local foundations and $175,000 from the city of Dayton.

Attempts have been made, but without success, to secure additional revenues from other sources.

Administration

The AHF has been operated for the last 10 years by a private, independent organization under contract with Montgomery County. It has been one of the few organizations running a housing trust fund with its own staff and entirely separate from the local government bureaucracy.

Establishing such an organization was seen, at the time, as a way of bridging the different political viewpoints and housing priorities of the city and county, and also of possibly engaging private resources more in the provision of affordable housing.

The organization, with its staff of three, has been almost self-sufficient in recent years. It has relied on free office space and some other in-kind assistance and contributions from private sources. It has been able to cover most of its administrative costs from interest on trust fund revenues, income from its loans, and fees and charges associated with its financial agreements.

The organization operates under the oversight of a 10-member board of trustees. Six are ex-officio appointments that include the mayor of Dayton, the president of the county's board of commissioners and other similar officials. The other four are members appointed at large by the board. In general, the board is dominated by politicians and political appointees.

The AHF issues a request for proposals at least once a year. After an initial administrative review by staff, proposals are assessed by the local housing advisory board with its broad range of technical and community representation. The board's recommendations are forwarded to the trustees, who have the final approval authority for the funding awards. Although some trustees have often disagreed with the recommendations of the housing advisory board, the trustees, as a whole, have seldom gone against those recommendations.

The local housing advisory board, which is appointed by the county, is not formally part of the AHF. By state law, local housing boards must be established in local jurisdictions wishing to spend public money on housing. They are responsible in each community for assessing the appropriateness of all local housing programs and expenditures from the viewpoint of social benefit and cost effectiveness. Their composition is also prescribed by state legislation; they must have representatives from certain local organizations and professions including government officials, real estate agents, homebuilders, housing advocates, service providers and others.

These local housing boards came into being in the early 1990s, when the state first authorized local governments to spend public money on housing. Before then, these expenditures were not permitted because housing was not recognized as a legitimate "public purpose." Local housing boards were the state's way of safeguarding the public interest and bringing outside expertise and community involvement into the process.

Use of funds

The AHF funds two main types of housing activity. It supports the construction and rehabilitation of rental housing (including transitional) principally by non-profit organizations. It also supports programs that facilitate the purchase of homes by individuals, including associated rehabilitation and repairs.

To a limited extent, the AHF funds new initiatives designed to link housing with human services. Support is generally limited to two years and given to programs that have a plan to secure continuing funding from another source.

All funding must be used to serve households with incomes at or below 80 per cent of the median county income.

The AHF attempts to recapture and recirculate its limited funds as much as possible. For that reason, first priority is given to using loans—even if that means using very flexible terms and possibly only recovering the principal. As a second alternative, it will try to arrange loans from a conventional lending source, and back those loans through loan guarantees from its funds. Only as a last resort generally does it award grants.

In the use of the housing trust funds, the AHF also sees itself primarily as a source of gap financing. It tries to limit its contribution to the final component of a financial package after all public funding and private financing sources have been exploited.

Accomplishments

From its inception to early 1999, the AHF has provided about $9.5 million to support the provision of 2,100 units and various related housing services through about 50 different organizations and developers. This funding has been used with approximately $100 million from other sources, including federal block grants, federal tax credits and conventional loans.

Because of its emphasis on using loans as much as possible, it has been able to recapture about half of the trust funds it has awarded. As a consequence, it has accumulated about $4.5 million of its own assets, most of which it has recycled into additional income-earning loans.

Most of these housing units have involved the construction or the acquisition and rehabilitation of rental housing by non-profit providers, including transitional housing, housing for those with a mental disability and apartments for seniors.

The AHF has supported a variety of programs directed at facilitating home purchase by new lower-income buyers. These have included downpayment assistance, homebuyer education and counselling services, a lease-purchase program and mortgage financing. In the latter case, it has provided short-term second mortgages as well as short-term loan guarantees for first mortgage loans from private lenders.

Its lease-purchase program enables households with a poor credit history to rent a home for two years. A portion of their rent payments goes toward the purchase of a new home at the end of the period. During this period, the households earn a chance to repair their credit history and become eligible for mortgage loans.

Among the various services it has supported are programs dealing with crisis intervention, vocational rehabilitation and women suffering from substance abuse.

The AHF has recently developed a lending pool to foster rebuilding in the economically rundown areas of Dayton. It will draw from a $3 million line of credit from a consortium of local banks being provided at a slightly below market rate. A $200,000 contribution from the city will be used to lower the interest rates that can be offered. The loans will be made available to community-based non-profit organizations and small private enterprises engaged in residential construction, business development and other neighbourhood revitalization. The program will be administered by a non-profit organization in partnership with the AHF; that organization will also be responsible for establishing the underwriting criteria and helping the organizations develop business plans.

To stimulate demand for homeownership in Dayton, a homeownership centre is being organized. This will consolidate a wide range of services and information related to available housing as well as mortgages, counselling and funding for repairs and rehabilitation. This is being supported by the local banks, homebuilders, real estate agents, credit counsellors and community-based developers.

Summary

Jurisdiction:	*Montgomery County and City of Dayton, Ohio*
Name:	*Affordable Housing Fund*
Population:	600,000 (200,000 in city and 400,000 in county)
Start:	1990
Purpose:	To serve as an "umbrella organization" promoting the development of affordable housing by administering the dedicated revenues, coordinating other local efforts and increasing the private sector involvement.
Income Target:	Households earning at or below 80 per cent of the area median.
Funding Source:	Dedicated revenues from local sales tax. Other small donations and appropriations.
Funding Amount:	$9.5 million through early 1999 at a rate of $1 million/year.
Notable Features:	The fund has been operated by a private and charitable non-profit organization with its own staff. It is one of the few HTFs run in this way. Unlike most HTFs, the organization has also taken on some of the functions associated with local housing partnerships: working to coordinate both public and private participants in the provision of affordable housing and to improve access to private financing for non-profit builders and lower-income homebuyers.
Accomplishments:	Provision of 2,100 units and various related housing services.

Boston MA: Neighborhood Housing Trust

Background

The city of Boston created its housing trust fund, the Neighborhood Housing Trust (NHT), by an ordinance passed in late 1983. At the same time, it established the dedicated funding source through a separate ordinance adding a new section to the city's zoning code. That section is entitled "Development Impact Project Contributions," but its provisions are more commonly called the city's linkage program.

The efforts to create the housing trust fund in Boston started in the mid-1970s with a grass-roots coalition of about 20 local groups of neighbourhood, tenant and housing activists and a state-wide housing advocacy group. They were concerned about the impact of a boom in large-scale office development on the nearby neighbourhoods, and particularly about the ensuing loss of low-income housing stock. As early as 1978, the neighbourhood activists proposed that the office developers be required to pay fees as a way of mitigating that impact.

The linkage program was introduced and passed by the city council in early 1983. It was based, to a large extent, on a similar program enacted by San Francisco in 1981 under very similar circumstances. Under the strong opposition of the development and business community, the mayor declined to sign the ordinance. Nevertheless, after an overwhelming show of public support in a non-binding referendum, and the election of a new mayor and council, it was enacted later that year. When challenged in 1986, a lower court invalidated

the program on the grounds that the city lacked the statutory authority to enact it. Later that year, a higher court voided that decision on procedural grounds, but without addressing the substance of the challenge. The state passed the necessary legislation in 1987.

Boston has another housing fund operated as a non-profit entity by the Union Neighborhood Assistance Corporation (UNAC). It was established in 1988 through collective bargaining by the local union representing hotel employees. The employers are required to contribute $0.12 for each hour worked by a union employee—initially, $0.07/ hour—to the fund. The contributions, which generate about $1 million/year, are used to reduce mortgage rates for home purchase by the represented workers.

Purpose

The purpose of Boston's housing trust fund, as defined in the establishing ordinance, is to retain and expand the supply of housing available for lower-income residents of the city.

The associated linkage program, according to its establishing ordinance, has a compatible but somewhat different purpose: to achieve a balance between the demand for new lower-income housing generated by the new large-scale developments and the supply of lower-income housing in the city.

Source of funds

The NHT is supported by dedicated revenues derived from fees charged by the city's linkage program. Fees of $5/sq. ft. ($54/m²) are charged on "development impact projects." These are defined as projects adding 100,000 sq. ft. (9,300 m²) or more of new space in the city, or projects reducing the supply of lower-income housing. Included are offices; retail, business and service uses; institutional and educational facilities as well as hotels and motels.

No study was undertaken prior to enactment to assess the relationship of the fees to the impact of these developments on the demand for additional housing in the city. A study conducted in 1986 determined that the established fees recovered, on average, less than half of the total additional housing costs borne by the city as a result.

As written in the ordinance, the fee payment is optional. Only those developments needing a variance or other form of relief from the existing zoning are subject to its requirements. In reality, construction of any large development is impossible within the existing zoning codes because of outdated provisions, particularly economically unrealistic density limits. Therefore, in effect the payment of fees is mandatory for new developments.

In lieu of the payment of fees, the obligation can be met by constructing housing to an equivalent value, either directly or through approved non-profit housing developers. These activities fall under the purview of the city's redevelopment agency rather than the housing trust fund. Only a few developers have contributed directly to non-profit providers, and none has constructed the required housing themselves.

In 1986, a $1/sq. ft. ($11/m²) job-training fee on the same developments was added to the housing fee. Its purpose is to reduce the demand for additional lower-income housing in the city by enabling more existing residents to take construction and other jobs generated by the major downtown developments.

The amount of the fee can be re-assessed every three years to reflect the latest economic and housing situation, but so far it has not been changed.

The payments are spread over seven years for downtown projects (from the issuing of the building permit) and 12 years for projects elsewhere (from the issuing of the occupancy permit). Before 1987, downtown projects were also on the 12-year schedule, but this was changed to expedite the payments.

In another effort to generate money more quickly, the city capitalized its committed linkage payments in 1989. Two local major insurance companies provided a loan of $10.8 million that was repaid by the future payments from 12 projects.

Administration

The NHT is a public charitable trust overseen by a seven-member board of trustees. It has two ex-officio members—the president of the city council and the collector-treasurer of the city—and five members appointed by the mayor. All are familiar with the city's lower-income housing needs, and also bring expertise in law, real estate, housing, finance or neighbourhood development.

The trustees are responsible for establishing the operating procedures for the NHT. Typically, every year they determine the amount of funds to be distributed during the calendar year, the type of projects to be supported, and the process and timing for the awards.

The trustees review all applications. Applicants are encouraged to solicit community input on their proposals and the trustees review all community submissions. Before the final decision, all proposals considered likely to be awarded funding are given a public hearing. The trustees submit their recommendations to the mayor and city council, who are responsible for the final approval of the awards.

The trustees also assess the proposals using the construction option, and submit their findings and recommendations to the city's redevelopment authority.

For day-to-day administrative duties and technical support, the NHT has used staff in the mayor's office and the city's Department of Neighborhood Development.

Use of funds

The NHT primarily distributes funds through a competitive request for proposals. As indicated, the types of projects funded might vary from time to time in order to reflect the current priorities of the city.

In general, a wide range of providers and housing are eligible for funding. It is made available to private, public, non-profit and for-profit development entities as well as private individuals. It is given for owner-occupied, rental, cooperative or other forms of permanent, transitional or temporary housing provided through new construction, rehabilitation, conversion of non-residential property or preservation of occupied residential property.

The funds must be used for housing affordable to households earning at or below 80 per cent of the city's median income. The housing must be maintained as affordable for at least 15 years, which is the maximum time allowed by state law through restrictive covenants on title. The trust is typically able to achieve longer affordability by negotiation or when funding non-profit organizations.

Out of the funds collected from downtown projects, 10 per cent must be allocated to that area. Elsewhere, 20 per cent of the funds must be used in or next to the neighbourhood in which it is collected.

Applications for funding are evaluated by these criteria:

- the number of affordable units in the project;
- the percent of the affordable units in the project;
- the number of units affordable to households earning at or below 50 per cent of the city's median household income;
- the capacity of the developer;
- the timeliness with which the units will be developed;
- the number of years beyond the required minimum that the units will be maintained as affordable;
- the extent to which the project provides for housing for special needs households, local, female and minority labour, and financial or managerial participation by business enterprises run by minorities or women;

- the extent to which the neighbourhood has previously received linkage funds; and
- any financial or ownership participation offered to the trust that might enhance its resources.

Accomplishments

The NHT has received a total of $49.5 million in linkage fees from 54 projects from its inception to the middle of 1997.

The fees collected over that time have varied according to the state of the economy, particularly the demand for new office space. Most fees collected to date are the result of office projects approved during the major development boom of the late 1980s. No office projects have been approved since mid-1991, but several development applications for offices have recently been submitted.

Despite the downturn in office development, the program has continued to generate fees because of the phasing of the payments and the diversity of the projects subject to the obligation. For example, 18 institutional projects, mainly health and university facilities, were approved in the 1990s. There is potentially another $55 million in uncollected fees, mostly from another 29 approved but dormant projects. How much of this will be realized cannot be determined. If the 10 dormant office projects approved in the 1980s never go ahead, about $25 million out of this still could be collected from the other approved but unstarted projects, and from completed projects making scheduled payments.

The NHT has awarded nearly $45 million to 70 projects as of the end of 1998. These projects provided a total of 4,900 units, of which 85 per cent were for lower-income households. The funding from the trust fund provided an average up-front capital subsidy of about $10,800/ affordable unit, while ranging from $1,500 to $42,000.

Additional funds for these units came from a variety of sources: federal and state funding, conventional mortgage loans, charitable contributions and others.

Most of the units have been provided through new construction or rehabilitation. Recently, some assistance has gone to the purchase and renovation of assisted housing threatened by the expiration of the federal affordability agreements.

Summary

Jurisdiction:	*City of Boston, Massachusetts*
Name:	*Neighborhood Housing Trust*
Population:	600,000
Start:	1983
Purpose:	To retain and expand the supply of housing available to lower-income residents of the city.
Income Target:	Households earning at or below 80 per cent of the area median.
Funding Source:	Dedicated revenues from development impact fees charged on large projects needing rezoning and employee-generating space, including retail, commercial, institutional, educational and other.
Funding Amount:	$49.5 million collected to mid-1997, and approximately another $25 million committed. Annual revenue has varied according to the demand for new development.
Notable Features:	This housing trust fund has been the most successful of the city funds over the years. Part of the reason is that it collects fees on a broad range of developments, not just offices.
Accomplishments:	Construction or rehabilitation of 4,900 units, of which 85 per cent are for the targeted households.

Boulder CO: Community Housing Assistance Program

Background

Boulder created its housing trust fund in 1990 through the enactment of its Community Housing Assistance Program (CHAP). CHAP was the result of work by an affordable housing task force, created a year earlier by the mayor and the city's housing authority. The purpose of the six-member task force was to evaluate existing housing programs and make recommendations that would make housing more affordable in the city.

Among its many recommendations, the task force suggested the creation of a new housing program (which became CHAP) focussing on what the city has called the "working poor." These households, although holding steady jobs, are unable to afford market-rate rental housing and were identified as being most in need of support because they fall between housing assisted by the public and non-profit agencies and housing supplied by the for-profit builders.

Purpose

CHAP was created to provide housing affordable to families earning 30 to 60 per cent of the area median income. Furthermore, it was designed to meet a specific city-adopted target: at least five per cent of the city's housing units should be made available on a permanent basis for these families.

Since then, other income groups have been targeted for housing assistance; so far, they have been supported in other ways not involving CHAP.

Source of funds

CHAP is funded principally through two dedicated sources:

- a housing excise tax on new development; and
- a property tax surcharge on existing development.

The excise tax is charged on the basis of $0.16/sq. ft. ($1.72/m²) for new residential space and $0.34/sq. ft. ($3.66/m²) for new commercial and industrial space. These rates, which were changed in late 1998, were initially charged on the basis of $0.23/sq. ft. ($2.48/m²) and $0.32/sq. ft. ($3.44/m²) respectively. They were changed to shift more of the burden onto the commercial and industrial sector, while continuing to collect the same amount.

The property tax surcharge represented an increase of 0.8 per cent to the then current taxes.

The two taxes were set at rates that together would annually raise about $1 million in revenues, but in the last few years, they have exceeded that amount. For example, $1.2 million was collected in 1992 and $1.6 million in 1998.

Overall, CHAP has collected $10.3 million to the end of 1998. About $2.5 million came from the housing excise tax and $6.9 million from property taxes. Before the recent change, 56 per cent of excise tax revenue was from residential properties and 44 per cent from commercial and industrial properties.

CHAP also has collected approximately $900,000 over the last three years, and lesser amounts before then, from payments in lieu of affordable housing required as part of its growth management policies. These policies are under review, and might be replaced by a new inclusionary housing program with a fees-in-lieu option.

By way of a comparison, the city in 1998 received $550,000 from federal HOME grants and $1.1 million in CDBG funds. Out of the later, about half was allocated to affordable housing.

Before implementing this excise tax, the city also explored, as an alternative, the use of linkage fees, like those in Boston and elsewhere. An excise tax in the United States is essentially a duty on a commodity that is made, sold or consumed. As a "home-rule" jurisdiction, that is, one that was established before the state, the city enjoys wider powers than most municipalities and does not require state authorization to impose an

excise tax. The city had used various excise taxes in the past, including a similar "development excise tax" to fund capital improvements. Under these circumstances, the city decided that an excise tax was more expedient to implement than linkage fees, for which there was no precedent.

Administration

CHAP is administered by the city's Housing Division of its Department of Housing and Human Services. It is responsible for disbursing CHAP funding as well as the city's allocations from the federal CDBG and HOME block grants.

Applications for funding are solicited every year through a request for proposals. The same applications are used for funding from all three sources. City staff decides which source to designate based on different regulations and requirements.

City staff handles day-to-day duties, processing applications and assisting applicants in identifying and securing other funding sources, structuring overall project finances, and resolving construction and other technical questions. The staff also undertakes a detailed analysis of the applications and makes preliminary recommendations on which should be funded.

A five-member technical review group, appointed by the city manager, is responsible for conducting the final review and making the final recommendations to city council. The committee comprises two officials from the state's local government department and its housing finance agency, a local property manager representing the private building industry, a local lawyer and a housing advocate (and ex-mayor of the city). City council makes the final approval of funding awards. It has, on occasion, modified the recommendations of the technical committee, but never turned them down.

Use of funds

CHAP is meant to serve families with a member working in the city, but disabled individuals and the elderly are also eligible. It gives priority to homeownership projects wherever possible, but recognizes that much of the housing for this income group is likely to be rental. It aims to promote private sector participation, particularly in mixed-use and mixed-income developments.

The funding is provided to private and non-profit organizations, religious groups, for-profit developers, neighbourhood-based groups, and housing and social service partnerships. It can be used for construction, acquisition of land, and acquisition and rehabilitation of existing housing. It is also available for construction and bridge loans, pre-development work as well as project equity.

Funding priorities are reviewed and established every two years. For the current period, priority is being given to land banking and to providing mobile homes, including resident-owned units.

All housing supported by CHAP must remain affordable to the targeted income group in perpetuity, or at least for a significant period.

The funding is provided now almost entirely through grants. Previously, loans were also given. The approach changed when the city started requiring permanent or near permanent affordability of the units. The provision of an enduring subsidy, rather than a temporary one, was considered necessary to achieving that objective.

Proposals are evaluated on the basis of:

- feasibility of the proposal;
- experience of the applicants;
- availability of funds from other sources; and
- consistency with the funding priorities.

A portion of the CHAP budget is set aside for a special fund to deal with emergencies. Money from this fund can be issued at short notice without council approval. This fund is topped up every year to $100,000.

Accomplishments

Through 1996, CHAP had allocated $4.6 million toward the acquisition, construction or substantial rehabilitation of more than 250 units, improvements

to approximately 490 units owned by the city's housing authority and acquisition of sites for some 200 homes.

When established, CHAP funding was expected to assist in providing at least 40 units/year. It has consistently exceeded that target, and has recently assisted about 80 units/year.

Most funding has gone to governmental and non-profit agencies, but a few for-profit developers also received awards. The majority of the units provided are rental. More than 80 per cent of the funds support units for households making between 30 and 60 per cent of the area median income.

An average of approximately $10,800 in CHAP funds was spent on each of the assisted units. These funds were combined with additional assistance—amounting to approximately $7 for every $1 from CHAP—from many sources: low-income housing tax credits, tax-exempt bond financing, state loans and grants, federal rent supplements, federal loans, a private loan and private contributions.

Summary

Jurisdiction:	*City of Boulder, Colorado*
Name:	*Community Housing Assistance Program*
Population:	96,000
Start:	1990
Purpose:	To provide housing for the "working poor"—households with steady jobs but still unable to afford market-rate rental housing.
Income Target:	Households earning between 30 to 60 per cent of the area median.
Funding Source:	Dedicated revenues from two sources: • housing excise tax on new development; and • property tax surcharge on existing development. Additional temporary revenues due to regulatory changes to its inclusionary program.
Funding Amount:	$7.8 million in total. $1.6 million in 1998.
Notable Features:	This housing trust fund, relative to the size of the community, probably has the most generous support of any in the country. It is only one of many coordinated city programs serving a variety of defined needs.
Accomplishments:	Acquisition, construction or rehabilitation of more than 250 units, improvements to approximately 490 units and acquisition of sites for some 200.

Berkeley CA: Housing Trust Fund

Background

Berkeley established its housing trust fund in 1990. The creation was triggered by a $600,000 payback in 1988 of an earlier CDBG loan. The director of housing proposed establishing a separate fund as a way of ensuring that the money was used for lower-income housing, through a process free of developer lobbying and political interference. The creation of the fund was driven by city staff who initiated the concept and subsequently expanded it by bringing together funds from various other sources. They prepared draft administrative guidelines for targeting and allocating the funds, and then supported the proposal through a public hearing process.

Purpose

The purpose of the HTF is to pool housing monies available from various federal and local sources, and to use them in a coordinated and

cost-effective way to preserve and produce lower-income housing.

Source of funds

This HTF derives its funds from a number of local and federal sources. The prescribed local sources of funding include:

- payments of housing fees from development projects, demolitions and condominium conversions;
- payments of fees in-lieu of construction of housing units under its inclusionary zoning ordinance;
- proceeds from the sale of city-owned residential properties;
- repayments from previous fund loans;
- payments from tax increments from its redevelopment area;
- authorizations from the city's general fund and its various agencies; and
- gifts or awards by individuals or organizations.

In practice, these local sources all tended to be relatively small and variable. For example, payments from land sales and past loans have each occurred only once or twice. Only the various housing fees have produced a small but steady income. There have been no gifts or donations. As a consequence, most of the local funding has come through annual appropriations from council, which has supported the fund every year except one (Table 6).

The HTF also administers the city's annual allocations from the federal HOME and CDBG housing funds. These have provided annually an average of about $700,000 and $150,000 respectively.

Consideration has been given, at various times, to pursuing a more regular and ongoing dedicated source of funding, but concerns about the strong anti-tax climate have frustrated any action.

Table 6:
Funding Sources for Berkeley's Housing Trust Fund 1990-99

	1990-98	1998-99	1990-99
Annual appropriations	$3,858,000	$567,500	$4,425,500
Housing fees	783,400	77,300	860,700
Tax increments	144,000	35,200	179,200
CDBG funds	1,199,400	125,600	1,325,000
HOME funds	5,449,400	838,800	6,288,300
Total	$11,434,200	$1,644,400	$13,078,700

Administration

The city's Housing Department administers the trust fund.

Applications for assistance are accepted a maximum of three times/year. The schedule is coordinated with the funding cycles of the state agency responsible for allocating tax credits.

Applications are accepted at other times for pre-development assistance and for projects with a compelling need. That need might arise from an opportunity to acquire property, an emergency requiring immediate assistance or a deadline for other funding dependent on having committed matching funds from the city.

All applications are reviewed on a competitive basis through a multi-step process. The housing staff first checks the applications for completeness and consistency with the funding criteria. Staff also analyzes various technical aspects and prepares a summary report.

The applications and staff reports are sent for review to two bodies: the planning commission and a technical advisory panel. The commission checks for consistency with the city's plans and policies. The panel—composed of a banker, realtor and an expert in non-profit funding—advises on financial aspects, particularly on the potential of a project getting federal tax credits as a source of funding.

The applications and reports are also forwarded to a housing advisory committee responsible for the final and most rigorous evaluation of

the applications. As part of that process, it also conducts a public hearing involving the neighbours immediately around each proposed project. The housing staff work closely with the committee, and provide the necessary administrative and technical support.

Members of this committee are each appointed by a city councillor. There are no membership requirements but they typically include lawyers, realtors, builders, housing advocates and other involved in housing development.

This committee examines the applications against these prescribed criteria:

- the qualifications and experience of the applicants, including their experience and expertise in project development, construction management, and financial and asset management;
- the cost effectiveness and feasibility of the project, including its cost per square foot and cost per affordable unit, its loan to value ratio and the developer's fee;
- the provision of financing from other private and public sources; and
- the potential for an early start.

The recommendations of the housing advisory committee, along with the staff and other reports, go to the city manager who makes the final recommendations to city council. City council must approve all the awards.

Use of funds

The program is governed by a comprehensive set of guidelines that have been revised at various times over the years.

The entities eligible for funding include non-profit and for-profit developers, government agencies, tenant groups, rental property owners, first-time homebuyers and limited equity cooperatives.

The funds are given mainly to support the creation of additional housing. The eligible activities include construction, rehabilitation, acquisition of existing property, conversion of non-residential to residential use and conversion of rental units to limited equity cooperative housing, condominiums and co-housing.

Funding is not provided for the provision of services related to this housing.

Limited support is also given for capacity-building efforts by neighbourhood-based organizations and individuals involved in affordable housing, and toward various pre-development costs such as consultant fees, local outreach programs, relocation expenses and others.

All the units must be affordable to households earning at or below 80 per cent of the area median income. Within that overall requirement, at least 40 per cent of the rental units also must be affordable to households at or below 60 per cent; or 20 per cent must be affordable to those at or below 50 per cent. Consideration is being given to requiring that 20 per cent of the funding be reserved for those earning at or below 30 per cent.

The rental units must remain affordable for at least 55 years, and the housing that is for sale, for at least 30 years.

Priority is given to projects meeting these objectives:

- providing neighbourhood benefits, such as improving a blighted property or a key revitalization site, repairing vacant or uninhabitable units, and adding other amenities to the area;
- exceeding the minimum affordability requirements, either in terms of percentage of units or duration of affordability;
- providing for homeownership, including through sweat equity;
- providing links to services for persons with special needs such as the homeless, disabled, frail elderly and people with HIV/AIDS;
- promoting or maintaining economic diversity; and
- keeping existing properties on the tax roll.

Assistance is provided through loans and conditional grants. Loans are the preferred form of assistance to recover the money over the long term. These are also seen as a means for ensuring the housing continues to meet the affordability and other guidelines.

Loan repayments are generally deferred until the projects achieve a positive cash flow. Allowing the providers to pay back their private loans first has the important benefit of enabling them to raise the most private financing for their projects.

Conditional grants are allowed only when necessary to obtain matching grant awards.

Various limits are placed on the levels of assistance. Pre-development loans cannot exceed the lesser of $25,000 or $1,000/assisted unit. Loans to first-time buyers cannot exceed $30,000/ assisted unit. Loans for rental projects involving new construction, substantial rehabilitation and property acquisition cannot exceed $465/m² ($50/sq. ft.). The limit on loans to rental projects is being reconsidered because it restricts too much the funding that can be given to those in greatest need.

Accomplishments

Since its inception to the end of 1998, the HTF has committed $12.6 million for various housing projects and programs.

The HTF has supported the provision of more than 525 lower-income units in 47 different projects. Most of the funding has gone toward rental housing provided by non-profit organizations, particularly for individuals suffering from AIDS, physical or mental disabilities, or drug or alcohol addiction. Other projects have provided homeless shelters, single-room-occupancy units for very low-income individuals, seniors housing, as well as cooperative and condominium housing for lower-income households. Because the city is virtually built out, most of the housing has been produced through acquisition and rehabilitation, or development of small infill projects with 10 or fewer units.

The HTF has also funded related programs directed primarily at preventing homelessness and increasing accessibility for persons with a disability in existing housing.

Summary

Jurisdiction:	*City of Berkeley, California*
Name:	*Housing Trust Fund*
Population:	100,000
Start:	1990
Purpose:	To pool available monies and use them in a coordinated way in preserving and producing lower-income housing.
Income Target:	Households earning at or below 80 per cent of the area median income. Also, 40 per cent of rental units must be affordable to households earning at or below 60 per cent and 20 per cent at or below 50 per cent.
Funding Sources:	Annual appropriations and many dedicated but irregular sources: • various housing fees; • tax increments; • land sales; and • loan repayments.
Funding Amount:	$5.5 million through mid-1999. $680,000 in 1998-99.
Notable Features:	The fund pools monies from many small and/or irregular local sources, along with the city's CDBG and HOME grants, to make an effective funding source.
Accomplishments:	Construction of 525 lower-income units, mainly rental by non-profit organizations and for various special needs populations.

Santa Fe NM: Community Housing Trust Fund

Background

The city of Santa Fe created the Community Housing Trust Fund (CHFT) in 1992 through the adoption of a Strategic Housing Plan. This process also established the funding mechanism and the administrative structure.

The trust fund was established in response to a critical shortage of affordable housing in the community. For many years the community had been experiencing rapid growth, which had driven up the price of housing. Particularly affected were the long-standing residents and indigenous peoples of the area. This issue was identified as the most important community problem in three opinion polls at the time.

The efforts toward creating the housing trust fund started in 1991, when civic officials, the United Way, non-profit groups and various concerned citizens came together to address urgent housing needs. Shortly thereafter, the Enterprise Foundation was invited by the city to advise on how affordable housing needs could be addressed.

A major result was the formation of the Santa Fe Affordable Housing Roundtable. This was a coalition of representatives from 11 organizations involved, in some way, with affordable housing—the city's community services department, the city's and the county's housing authorities, the local offices of United Way and the Enterprise Foundation, and various local non-profit organizations.

The Roundtable was principally responsible for developing a comprehensive and ambitious strategic plan. Among its recommendations was one to increase the capacity of the non-profit organizations, which until then had very little involvement in the provision of housing. The Roundtable has subsequently taken on the role of expanding and coordinating the housing activities of the non-profit sector in meeting the objectives of that plan.

Use of funds

The CHTF was established to support the provision of housing and related services for lower-income families and individuals in Sante Fe.

Source of funds

The funds for the CHTF are provided mainly from cash contributions from developers. Since 1992, when the city established the policy, developers are expected to make contributions before receiving approval for any residential developments requiring some form of discretionary regulatory changes, and typically involving an increase in density. The amount of the contributions is determined through negotiation by the city's community development department.

To date, the trust fund has collected some $2.75 million in development contributions. It also received some initial funding from the United Way, a foundation and an anonymous donor.

State law influenced the creation of this fund. Under the state's so-called "anti-donation" law, public monies cannot be donated for the purpose of helping the indigent. If the development contributions had been deposited in the general fund of the city, their use would have been bound by this provision. As a consequence, to provide greater flexibility in how the contributions could be used, an independent trust account was established to receive them.

The city has provided no other funding to the trust fund. It does support in other ways: administration for the non-profit organizations and the provision of land at below-market value.

The county of Santa Fe, which surrounds the city, has also collected a substantial development contribution for one project. It used half the funds for its own affordable homeownership programs, and gave the other half to the Community Housing Trust for projects and programs in the city.

In 1998, the city formalized and extended these provisions when it adopted its inclusionary zoning ordinance, called its Housing Opportunity Program. It requires all new residential developments to

incorporate a prescribed amount of affordable housing, or pay fees in lieu to the trust fund.

Administration

The housing trust fund is essentially the funding mechanism for the Roundtable. The fund is administered in a unique way involving the Roundtable and the Community Housing Trust, which is one of its member organizations.

Community Housing Trust

The Community Housing Trust, an incorporated non-profit organization created in 1992, serves as the fiduciary agent for the funds. In that capacity, it enters into formal contractual arrangements with the developers about the receipt of their contributions, and also with the non-profit organizations about the payment of the funding awards. It is not responsible for deciding how the funds are allocated; that responsibility rests with the entire Roundtable.

The Community Housing Trust is unlike other organizations called housing trusts. Since being given this initial fiduciary role, it has evolved into a major and multi-purpose, non-profit housing organization in the community. Among other activities, it develops affordable housing, runs homeownership education and counselling programs, manages some rental units and operates a loan program providing second mortgages for lower-income home purchasers.

Affordable Housing Roundtable

The Roundtable is, in effect, a working coalition. It is not incorporated and has no paid staff nor operating budget. Administrative assistance is provided, as needed, by the staffs of the Community Housing Trust, the Enterprise Foundation and the city's community development department.

The Roundtable is run by a steering committee composed of representatives from each member organization. The decisions of this committee are made collectively by consensus, which is consistent with the traditional approach to governance in this community.

To become a member of the Roundtable, an organization must be a public, quasi-public or non-profit organization that has successfully developed or operated at least one housing or assistance program serving lower-income households and individuals.

The Roundtable currently has 14 members. Most are from the initial organizations, but there have been some changes. United Way and one other initial member have dropped out. United Way, although having an important early role in establishing the credibility of the organization, had no ongoing involvement specifically with housing. Four of the six new members are involved in transitional housing, and three of these had been previously represented by a single member.

The Roundtable has a unique way of allocating the trust funds. Only members of the organization are eligible for funding, and it members collectively determine how the funds will be allocated. As a consequence, the members have two levels of responsibility: collectively to each other through the Roundtable and individually to their own organizations where they design and run their own housing projects and programs.

Roundtable members wait until sufficient funds have accumulated—generally, at least $50,000—and then vote on whether or not to accept proposals. When they choose to accept them, they set a submission and funding timetable and possibly funding criteria.

An allocation committee is appointed to review the proposals. This committee is made up of three to five Roundtable members. They are drawn from those not pursuing funding at that time and, therefore, have no conflict of interest. For that reason, the committee typically includes representatives from the city and the Enterprise Foundation. On occasion, they have gone outside the Roundtable to get adequate numbers.

The entire Roundtable votes on the recommendations of this committee. Approval is not needed from the city council.

Use of funds

The Roundtable has wide discretion in how the funding is used. The awards are principally bound by the broad objectives of the Strategic Housing Plan, which the Roundtable helped to develop. However, these objectives are becoming less relevant as they have been largely met.

The funds must be used for housing projects and programs serving households within the city that earn at or below the 80 per cent of the median income.

The funding, when going toward housing projects, is limited to a maximum subsidy of $15,000/unit.

No restrictions are placed on the type of projects, but by virtue of the composition of the Roundtable, non-profit projects are mostly supported.

No operational support is provided to the member organizations.

Accomplishments

Since its inception through late 1998, the Roundtable has assisted more than 1,900 lower-income families in the following ways:

- 366 new affordable homes built by assisted, for-profit developers;
- 255 new affordable homes built by non-profit developers;
- 619 existing homes purchased with the help of low-cost second mortgages;
- 371 existing homes rehabilitated;
- 221 rental units acquired or built;
- 68 new units for special needs, including transitional housing and housing for adults with mental illness and developmental disabilities; and
- 30 shelter beds.

The Roundtable has significantly increased the capacity of non-profit organizations to provide housing. One measure of that success is that many of these organizations have become less dependent on the housing trust funds as they have developed the capability to access other sources of funding.

The Roundtable has also helped to develop and support many new housing programs: rental subsidies, downpayment assistance, fast-track approval for affordable housing projects, renter assistance in the form of the first month's rent and damage deposits, homebuyer education, a landlord/tenant hotline and others. Its homebuyer education programs have helped 2,900 families purchase homes.

The housing trust funds have been used in conjunction with funding received from federal and state programs, grants from three major foundations and other public and private sources, and loans from conventional lending institutions. On average, the supported projects have raised an additional $8 for every $1 provided by the trust fund.

Summary

Jurisdiction:	*City of Sante Fe, New Mexico*
Name:	*Community Housing Trust Fund*
Population:	60,000
Start:	1992
Purpose:	To support the provision of housing and related services for lower-income families and individuals.
Income Target:	Households earning at or below 80 per cent of the area median.
Funding Source:	Dedicated revenues from cash contributions from developers requiring some form of discretionary regulatory changes.
Funding Amount:	$2.75 million in total from dedicated revenues and small contributions from other sources.

Notable Features:	The funds are administered in a unique way through two organizations: • The Community Housing Trust, which is an incorporated non-profit organization, serves solely as the fiduciary agent for the funds. It is not responsible for deciding how the funds are allocated. • The Sante Fe Affordable Housing Roundtable decides on how the funds are allocated. It is essentially a working coalition of the main organizations providing affordable housing and associated programs. Only members of the Roundtable are eligible to receive its awards.
Accomplishments:	Construction, rehabilitation or acquisition of 1,900 units, and assistance for a variety of associated services

5. PROFILES OF SIMILAR CANADIAN FUNDS

There are a number of funds in Canada—existing, proposed and past—that can be called housing trust funds, although this term is not widely used in this country. Like their U.S. counterparts, these funds have used, or are expected to use, dedicated sources of revenues for the provision of affordable housing.

Included here are five existing funds.

- **Saskatoon SK: Social Housing Reserve** was created by the city in 1987. The funds are provided on an ongoing basis from the proceeds of its sales of residential building lots from its land bank. The funds have been used to provide grants, based on five per cent of the development costs, toward various non-profit and cooperative housing projects.

- **Vancouver BC: Affordable Housing Fund** was created by the city in 1993, replacing its earlier Social Housing Fund, so it could address a wider range of housing. Since that time, the Fund has been supported mainly by three-year commitments from the city's capital budget, and by a dedicated portion of the development cost levies charged on new development. Those funds have been used mainly to provide capital grants toward the provision of low-income SRO housing.

- **Whistler BC: Employee Housing Service Charge Fund** was created by the municipality in 1991 to receive the cash payments required from new commercial, industrial and tourist developments to support the provision of affordable housing. The funds have been used by the town's non-profit housing agency to acquire development sites, which are then sold to private developers that provide guaranteed below-market rental housing.

- **Banff AB: Reserve Fund for Affordable Housing** was established by the municipality in 1992 to receive fees in lieu of construction of affordable housing, as required of new commercial development by its zoning by-law. The funds have been used by its non-profit housing corporation to provide below-market, owner-occupied homes for long-term residents.

- **Winnipeg MB: Loan Fund of the Housing Opportunity Partnership** was established as an incorporated, non-profit organization in 1997 by a committee led by the Winnipeg Real Estate Board. The fund receives money from the interest earned from real estate deposits and funding from an existing public home equity program. It assists lower-income working households to purchase and upgrade existing housing stock in the inner city of Winnipeg.

There are also three housing trust funds being established. None of these has secured a funding source.

- **New Brunswick: New Brunswick Housing Trust Fund** has been under consideration since early 1998. The efforts are being spearheaded by the Association of Community Living through a committee of diverse representatives from inside and outside government. As proposed, it will focus on helping disadvantaged individuals, particularly the homeless and those with mental and physical disabilities.

- **Montréal QB: Montréal Housing Trust Fund** was first conceived in late 1995 by the Montréal City Mission, a service provider for low-income households. Under its leadership, the Fund was established in 1998 essentially in name only, with an interim board drawn mainly from community organizations. This is considered a temporary arrangement until a dedicated funding source can be secured. As proposed, the Fund will target the homeless, while giving special attention to needy young people and women in difficulty.

- **Edmonton AB: The Edmonton Housing Trust Fund** was conceived in 1996. The concept was initially carried forward by the Edmonton Coalition on Homelessness, a coalition of about 30 community-based agencies active in providing affordable or related services. Since 1998, the coalition has been working with a committee including representatives from government and local builders. As proposed, it will assist in the acquisition and development of lower-income housing.

Finally, there is a former housing trust fund that merits noting because it still represents the most successful housing trust fund Canada has had in terms of the dollars generated.

- **Toronto ON: Social Housing Reserve Fund** was established by the former city of Toronto in 1986 to hold the cash-in-lieu payments made by private downtown developers—mainly for offices but also housing—toward social housing in exchange for negotiated density bonuses. These payments were curtailed in early 1989 and the fund was absorbed into the new city's Capital Revolving Fund for Affordable Housing. The funds were used mainly to acquire sites for non-profit housing projects to be developed under the federal/provincial funding programs then available.

Saskatoon SK: Social Housing Reserve

Background

The city of Saskatoon started its Social Housing Reserve in 1987 based on the proceeds of land sales.

The city has, for many years, maintained a large land bank that has held a significant portion of the developable land in and around the community. The land bank was originally acquired through tax foreclosures, but the city continues to replenish it through land purchases. From this land bank, the city subdivides, services and sells individual lots according to its five-year growth projections. It typically supplies 40 to 50 per cent of the lots released on the market in any year. Ninety per cent of the net proceeds go toward the purchase of additional raw lands for the land bank and the rest to the reserve fund.

The future use of the reserve funds might be tied to the activities of the city's housing partnership, which has just been formed.

Purpose

The fund assists the development of non-profit housing, consistent with the innovative housing policies adopted by the city.

Source of funds

Since 1987, the reserve has received annual ongoing funding derived from 10 per cent of the net proceeds from the land sales. This has provided nearly $2 million to the end of 1998 from annual contributions ranging from zero to $350,000, and averaging roughly $160,000.

In addition, when established, it was given a $5.3 million allocation derived from money previously collected from the land sales.

Use of funds

The fund provides grants based on five per cent of approved total capital costs of the proposed project. There is no maximum to the amount of the individual grants. They are given at the start of the project, and among other things, are meant to assist with the up-front costs before permanent funding or financing from other sources is made available.

The funding targets new and renovated housing designed to supply additional housing suitable for and affordable to low-income individuals and families. This includes, but is not exclusively tied to, housing assisted by government programs. At least 30 per cent of the funds must go to low-income households, which are defined as those earning at or below 60 per cent of the city's average family income.

Within those overall criteria, priority is given to housing:

- located in certain defined older neighbourhoods in need of revitalization;
- providing for families;
- owned and managed by non-profit organizations;
- promoting resident ownership and control of their housing;
- inclusive and integrated with the surrounding community;
- taking advantage of existing amenities, facilities and resources, including architectural heritage; and
- promoting the self-sufficiency of the residents by providing appropriate facilities and services. (For example, this might include day-care space, community kitchens, cooperative arrangements for maintenance and operations.)

Guidelines for the fund limit the expenditure in any year to no more than one third of the reserve.

Administration

Since 1992, the city's Social Housing Advisory Committee (SHAC) has been charged with reviewing the applications from non-profit organizations for funding from the reserve, and making recommendations to council about which should receive support.

The 15-member committee includes representatives from the local homebuilders association, real estate board, the city's housing authority, city council, CMHC, provincial and municipal departments, and various community-based organizations.

Accomplishments

In total, through early 1999, the fund has provided $5.5 million in grants to assist in the development of about 1,100 units. Before 1994, the money was used in support of social housing developed under federal/provincial funding. Since the curtailment of that funding, the grants have been used mainly in support of community-based cooperative housing.

Contact

Russell Mawby
Housing Facilitator
Planning and Building Department
City of Saskatoon
Tel: (306) 975-7666
Fax: (306) 975-7712
E-mail: russel.mawby@city.saskatoon.sk.ca

Summary

Jurisdiction:	*City of Saskatoon, Saskatchewan*
Name:	*Social Housing Reserve*
Population:	195,000
Start:	1987
Purpose:	To increase the supply of suitable and affordable housing for low-income households, with an emphasis on non-profit community-based family housing in run-down inner-city neighbourhoods.
Income Target:	Low-income households, which are defined as those earning at or below 60 per cent of the city's average family income.
Funding Source:	Ten per cent of the net proceeds from the annual sale of subdivided and serviced residential lots from the city's land bank.
Funding Amount:	$2 million to the end of 1998. $5.3 million in start-up funds from land sales before 1987.
Notable Features:	The fund provides forgivable loans based upon five per cent of the capital costs of the project. The loans are intended to cover pre-development costs incurred before permanent funding or financing can be secured.
Accomplishments:	Assistance towards nearly 1,100 units, initially social housing built under federal/provincial funding programs, and more recently cooperative housing.

Vancouver BC: Affordable Housing Fund

Background

The city of Vancouver established its Affordable Housing Fund (AHF) in 1993 as a replacement for its Social Housing Fund. The earlier fund was created in 1981 to provide capital grants and acquire development sites for social housing projects developed through the federal/provincial funding then available. As indicated by the change in name, the new fund has taken on a somewhat different role in response to the curtailment of federal funding in 1994.

The city continues to make use of provincial funding, as the main support for the development of non-profit housing for families. For these projects, the city provides sites secured through its "20 per cent core-need housing policy."

Purpose

The AHF has been used mainly to provide capital grants for various non-profit housing projects. It has focussed most of its funds on assisting low-rent, single-room-occupancy (SRO) units. To a limited extent, it has assisted, when necessary, the above-mentioned family projects.

Source of funds

Over the years, the two funds have received money from a variety of sources.

The previous fund was supported by appropriations from the city's capital budget, payment of an insurance claim for a fire at a housing project, proceeds from the sale of city-owned land, funds from a provincial neighbourhood improvement program and fees for permits to demolish existing housing.

The new fund has secured most of its money from a dedicated funding source: development cost levies. The others have included budgetary appropriations and two irregular sources: fees in lieu and community amenity contributions.

The city is conducting a review of how to pay for new public services and infrastructure, including affordable housing, that is generated by new development. When completed, possibly later in 1999, changes are likely to be made to the development cost levies and community amenity contributions.

Development cost levies

The city started collecting development cost levies (DCLs) in early 1992 to pay for capital projects needed to meet demands generated by new development. By provincial statute, the funds are earmarked for certain facilities that include "replacement housing." Replacement housing is essentially defined by the legislation as housing for persons displaced by development and unable to find affordable accommodation. The city has interpreted this to mean SROs and rental housing lost through redevelopment and conversion to condominiums.

The first DCL was implemented in the older part of the downtown. The levy on all uses, initially set at $64.50/m² ($6/sq. ft.), is now $65.52/m² ($6.18/sq. ft.). In this particular area, the city expects to collect $43 million over 25 years from the additional development permitted under the new zoning provisions. According to recent revisions to the regulations, about 47 per cent will go to replacement housing.

Since this first DCL, other DCLs have been systematically implemented in six more areas. The amount of the levy and the proportion going to replacement housing and the other improvements vary for each. The respective rates reflect the new development projected in each area, the costs of the associated public improvements and the potential for the new development to pay for the needed improvements.

The city recently jettisoned this area-by-area approach and passed a new interim city-wide DCL. It will come into effect at the beginning of 2000 for all areas not subject to the area-specific levies. The rates will be $10.78/m² ($1.00/sq. ft.) for industrial uses and $26.91/m² ($2.50/sq. ft.) for residential, commercial and all other uses. This interim measure is expected to remain in place until the city completes the above-noted study.

From early 1992 to early 1999, the DCLs have generated $6 million for replacement housing. Slightly over 90 per cent of that has come from the older downtown area.

Budget allocations

From its three-year capital budget allocations, the city provided $1 million to the AHF in the 1993-96 period, and $2.5 million in 1996-99. City staff expects an ongoing commitment from this source of a similar amount.

Cash-in-lieu contributions

In 1998, the city introduced a policy variously called its "income mix housing policy" or its "20 per cent core-need housing policy." As a condition of receiving approval for comprehensive re-zoning, large privately developed residential projects in its downtown were required to provide sites capable of accommodating a minimum of 20 per cent of the units as non-profit housing. The city was given the right to acquire the sites at an established below-market value for 80 years. It has proceeded to acquire these sites whenever a non-profit developer has been able to secure a government funding allocation.

The city has always given priority to securing sites through this process as a means of achieving mixed-income neighbourhoods. Nevertheless, because of funding cutbacks, the city recently sold two sites to private developers for the difference between the agreed below-market value and the current market value. These two sites had been zoned for seniors housing (for which all funding has been cut) and were not considered appropriate for family housing (for which limited provincial funding is still available). Approximately $2.7 million was received from the two sales and deposited in the Affordable Housing Fund.

Community amenity contributions

Since 1989, the city has required private residential projects in its downtown needing site-specific re-zoning to make community amenity contributions (CACs) toward community amenities needed by new residents.

Under a recent interim by-law in effect since the end of 1998, this requirement has been extended to all such developments across the city. Not affected are the areas subject to specific DCLs nor the 20 per cent core-need agreements because they are already subject to other public benefit requirements. As in the case of the city-wide DCL, this interim measure is expected to remain in place until the above-mentioned study is completed.

The new city-wide CACs are charged in one of two ways:

- on a negotiated basis when the site is 4.05 ha (10 acres) or more in size, and the application involves a change of use from industrial to residential; or
- at a standard rate of $32.29/m² ($3.00/sq. ft.) on the net increase in allowable floor area for other smaller projects, including applications for increase in density for existing uses.

The obligation also can be met by the provision of direct in-kind benefits.

CACs can be used for any purpose or in any area deemed appropriate. So far, $300,000 of CACs have been used for affordable housing through the AHF.

Authority

The city's authority to charge development cost levies is founded in the Vancouver Charter, which contains provincial enabling legislation particular to the city. The authority to charge the levies was included in the charter in 1990 at the request of the city. It was seen as a way of complementing its "20 per cent core-need housing policy" which could be used to obtain public benefits from major redevelopment sites, but not from individual projects elsewhere even when undertaken within the context of a community plan and re-zoning.

Under this legislation, the city can collect development cost levies for replacement housing, parks, day care facilities, piped services and highway infrastructure. The levies must be charged on all new developments that create

the need for the improvements. Exemptions are given for social housing, small residential project and churches that are not taxed.

The city's authority to impose its "20 per cent core-need housing policy" is found in its zoning powers. These allow the city to negotiate various conditions and public benefits when re-zoning property.

Administration

All expenditures from the fund must be approved by city council. Recommendations are made by the staff of the Housing Department, after consulting with other departments and various non-profit organizations.

Accomplishments

The city's Affordable Housing Fund has provided or committed about $9 million in capital subsidies for non-profit housing. This has been used to assist about 1,000 units in 18 projects. Most of the funding has gone to approximately 500 SRO units in five projects, including one with 50 units devoted to youth.

Another $3.7 million (approximately) was spent by the earlier Social Housing Fund.

Contact

Jill Davidson
Senior Housing Planner
Housing Centre
Community Services Group
Tel: (604) 873-7670
Fax: (604) 873-7064
E-mail: jill_davidson@city.vancouver.bc.ca

Summary

Jurisdiction:	*City of Vancouver, British Columbia*
Name:	*Affordable Housing Fund*
Population:	515,000
Start:	1993
Purpose:	To provide capital grants for non-profit housing projects, particularly low-rent single-room-occupancy (SRO) units.
Income Target:	Not specified.

Funding Source:	Funding provided in three ways:
	• dedicated revenues from development cost levies on new development;
	• irregular contributions from the following:
	  • cash in lieu of sites for social housing in major residential redevelopments and
	  • community amenity contributions on private residential projects needing rezoning and
	• regular budgetary allocations from the city.

Funding Amount:	$9 million
Notable Features:	The fund draws on development cost levies which the city collects on new development to pay for various capital improvements, including affordable housing, made necessary by the additional development.
Accomplishments:	Capital subsidies for about 1,000 non-profit, including 500 SRO units.

Whistler BC: Employee Housing Service Charge Fund

Background

The resort municipality of Whistler initiated its Employee Housing Service Charge through a municipal by-law passed in 1991. Revenues from these charges are deposited in a reserve fund dedicated to the provision of affordable housing.

As a popular ski resort, for many years, the town has suffered from a severe shortage of affordable housing, due mainly to strong growth pressures from tourist-related development. In response, it has developed various policies to address specifically the needed employee accommodation. These were first comprehensively presented in their 1988 Resident Employee Accommodation Policy, but this has gone through many revisions—the most recent in its 1996 Affordable Employee Housing Strategy. The employee housing service charges were created within this policy framework.

The town also has provided for employee housing in other ways. Most notably, along with its five largest employers, it established, in 1983, a non-profit housing society to provide affordable housing for their employees. As a consequence of this and other efforts, the town has a large stock of "employee-occupied units" that are restricted by agreements to occupancy by employees, and sometimes also to specific rent or resale price levels.

Much of the housing provided through these earlier efforts is suitable only for short-term and seasonal resort workers: little was built for permanent employees, although some are given rent or purchase assistance by their employers.

Purpose

The funds collected through the employee housing service charge are directed at increasing the supply of conventional family housing affordable to permanent employees. Although not formally stated in the founding documents, this requirement so far has been interpreted to mean rental housing. Unlike much of the housing provided by the earlier efforts, the housing is not tied specifically to the contributing employers.

Source of funds

Under this by-law, all new commercial, industrial and tourist developments are required to contribute toward the provision of employee housing. It applies to all new construction, extensions of existing structures and changes of use that will generate more employees. Tourist-related accommodation in private residences is exempt.

In 1991, when first started, the required contribution was based on the payment of $5,000/new employee. At that time, this amount was considered to be what was needed to recover 20 per cent of the estimated public cost of providing the additional housing generated by higher employment. The amount has been regularly updated; since early 1996, it has been based on $5,578/employee.

This standard contribution is applied to each major land-use category according to the average number of employees generated per given area. On this basis, the charges are $112/m² ($10.40/sq. ft.) gross floor area in commercial developments, $22/m² (2.05/sq. ft.) in industrial, and $1,116/guest room in tourist accommodation.

The contribution can be made by making a cash payment to the municipality's reserve account for employee housing; providing the "employee bed units" in new construction or in existing accommodation; or prepaying 10 years of rent in advance for accommodation provided by the municipality's non-profit housing agency. The prepayment arrangement is subject to renewal at 10-year intervals for 100 years.

Where appropriate, the town will also consider other contributions to an equivalent value. These might include the dedication of serviced land or the provision of housing for seasonal workers.

Under the construction option, a self-contained bachelor suite or a bedroom under 10 m² in a conventional dwelling unit counts as an "employee bed unit." Larger bedrooms count as two such units. These units must be controlled by

agreement limiting their occupation to employees working in the town.

Authority

These provisions were enacted under special powers contained in the *Resort Municipality of Whistler Act* of 1975. These empower the city "to establish charges...on land and improvements...for municipal works and services."

Other resort communities in the province have expressed interest in using these powers, but apparently Whistler is the only community that has implemented such a program so far.

Administration

These fees are collected by the town Building Department before a building permit is issued for development. The payments are deposited into a reserve account dedicated specifically to affordable housing for employees.

The Whistler Housing Authority, the town's non-profit housing agency established in 1997, is responsible for the funds. To date, the agency has used the funds to develop rental housing, which is considered to be the most important need at present.

Use of funds

The approach being followed by the authority involves purchasing development sites, and then selling them to private developers at a below-market value on the condition that they build and maintain permanently affordable housing. The developers are selected through competitive proposal calls. The specific affordability criteria are identified project by project, and controlled through housing agreements.

The agency is also involved in overseeing any price-restricted employee accommodation built or provided directly under the construction option of the by-law.

Accomplishments

To the end of 1998, roughly $7 million had been collected from these charges. Approximately $3 million is expected from additional possible development within the currently approved development limits.

The funds have been used to purchase a number of sites for affordable rental projects. One 20-unit rental townhouse project has been completed, another 14-unit project is being tendered, and others are being considered.

Contact

Rick Staehli
General Manager
Whistler Housing Authority
Tel: (604) 905-4688
Fax: (604) 932-4461
E-mail: housing@direct.ca

Summary

Jurisdiction:	*Town of Whistler, British Columbia*
Name:	*Employee Housing Service Charge*
Population:	9,000
Start:	1991
Purpose:	To increase the supply of conventional family housing, mainly rental, affordable to permanent employees.
Income Target:	Affordability criteria set on project-by-project basis.
Funding Source:	Development contributions from the developers of new employee-generating commercial, industrial and tourist space.
Funding Amount:	$7 million to the end of 1998.

Notable Features:	The funds are used by a non-profit housing agency to purchase development sites. These are sold to developers through a competitive RFP process at a below-market value on the condition that they build and maintain permanently affordable housing.
Accomplishments:	Construction of one 20-unit townhouse, and purchase of sites for other projects.

Banff AB: Reserve Fund for Affordable Housing

Background

The town of Banff established a reserve fund to support affordable housing in 1990. The agency responsible for using the proceeds in the fund is the Banff Housing Corporation, the town's non-profit housing corporation started in 1993.

Banff is a popular resort community located in Banff National Park. Strong growth pressures from tourism, coupled with limited land available for development, have led to a shortage of affordable housing for new employees in the tourist industry as well as long-time residents.

Since its incorporation in 1990, the town has used its zoning by-laws to require new commercial development to provide for affordable housing for the new employees. This continues a similar requirement started by Parks Canada, when it was responsible for the area. The former policy tied the housing provision to the new employees generated by the commercial development, and often allowed for accommodation suitable mainly for seasonal workers. The town's policy now focusses on increasing the inventory of modestly priced housing for permanent resident employees, and does not tie the occupancy specifically to the contributors.

Purpose

The mandate of the housing corporation is to enhance housing affordability in the community.

Table 7:
Housing Requirements for New Commercial Uses in Banff

The provision of one bedroom is required for the development of the following new commercial space:

Eating and drinking establishments	20m² gross
Retail stores	100m² gross
Professional, financial and office support services	50m² gross
Other commercial and commercial services	133m² gross
Government and institutional uses	200m² gross
Warehousing	200m² gross
Hotels of fewer than 60 rooms	10 rooms*
60-100 rooms	8 rooms*
over 100 units	6 rooms*
Hostels	
10 units*	

Note:
* Additional housing is required for any eating, drinking, retail and other commercial space provided in the hotels and hostels.retail and other commercial space provided in the hotels and hostels.

Source of funds

Any development of new commercial floor space or a change in use of existing commercial floor space is required to construct new housing within the town's boundaries. The requirement is based on the provision of 0.5 bedrooms/new employee, but varies by commercial use according to the average employment generation of that use (Table 7). Any housing demolished by the commercial development must be replaced by the equivalent number of bedrooms on top of these requirements.

Since 1992, as an alternative to construction, the contribution of fees is accepted for small projects with an obligation of up to three bedrooms. The fees are based on a rate of $15,000/required bedroom. The fees are collected by the town before issuing a building permit, and deposited in the town's reserve fund.

These contributions have generated about $470,000 from inception to the end of 1998.

In addition to these contributions, the corporation also received $300,000 from the town as start-up funding, and is supported by the proceeds from its development activities.

Authority

The town's authority to impose these housing requirements on new commercial development is vested in the incorporation agreement between the federal, provincial and municipal governments that established the municipality in 1990. That agreement, which defines the town's planning and other functions, provides them with special zoning powers and exempts them from various parts of the province's Municipal Government Act.

These powers reflect the town's unique location inside a national park, and are similar to provisions used previously by Parks Canada when it administered the area.

Administration and use of funds

The Banff Housing Corporation is a non-profit housing agency governed by a board comprising three municipal councillors and four representatives from the local business community. It has three full-time and two part-time staff.

The housing corporation has focussed its initial efforts at providing conventional single-family, owner-occupied housing for long-time resident families with modest incomes. The corporation develops the housing and sells it at a price that recovers the full costs without profit. It holds a second mortgage to ensure the units are not resold at market value.

The occupants are selected on the basis of various factors: their length of residency in the town, the number of children, and their income and assets.

Accomplishments

The corporation has completed and sold about 80 modestly priced units, and has about 30 unites now under construction.

As many as 50 units/year also have been recently provided through construction by the commercial developers. The occupancy of these units is not limited by income but, generally, smaller units are produced.

Contact

Mike Bacon
Manager
Banff Housing Corporation
Tel: (403) 762-1115

Randall McKay
Manager of Planning and Development Department
Town of Banff
Tel: (403) 762-1215
Fax: (403) 762-1101
E-mail: rpmckay@telusplanet.net

Summary

Jurisdiction:	*Town of Banff, Alberta*
Name:	*Reserve Fund for Affordable Housing*
Population:	7,000
Start:	1990
Purpose:	To enhance housing affordability in the community.
Income Target:	Households with modest income not able to afford market-rate home purchase.
Funding Source:	Fees in lieu of construction of housing for new employees by developers of new commercial floor space.
Funding Amount:	$470,000 from fees to the end of 1998. $300,000 in start-up funds from the town.

Notable Features:	Funds are used by a non-profit housing agency to provide for-sale housing for long-time residents at a below-market price, through which it recovers its full costs but no profit.
Accomplishments:	Construction and sale of 80 modestly priced units and 30 more units under way.

Winnipeg MB: Housing Opportunity Partnership Loan Fund

Background

Winnipeg's Housing Opportunity Partnership (HOP) was started in late 1997, when it received its initial funding and was incorporated as a non-profit organization. The initiative was established largely through the persistent efforts of a committee representing the Winnipeg Real Estate Board (WREB), while drawing on the input and support of local politicians, housing representatives, and bankers and realtors. The committee was also assisted by a grant from CMHC's Homegrown Solutions Program.

The initiative came out of a presentation to a realtors conference in 1994 about the Columbus Housing Partnership (CHP) in Ohio. The CHP had been acquiring and renovating deteriorated homes in inner-city neighbourhoods and selling them to low-income families. The Columbus Board of Realtors was a key partner, along with local lenders, business leaders and government officials. Of particular interest was the CHP's use of the interest earned on real estate broker trust accounts as a source of capital for the partnership.

Purpose

The purpose of HOP is to promote homeownership in the inner city of Winnipeg through a program that acquires and rehabilitates existing homes and resells them to lower-income households. The inner area of this city has some of the oldest housing stock in Canada; and large parts of that are suffering serious decay. The initiative is based on the belief that homeownership is the basis of neighbourhood revitalization and should be encouraged whenever possible.

Source of funds

HOP has established a revolving loan fund that has received money from two main sources: the interest earned on real estate broker accounts and public funding from a home equity program established under the Winnipeg Development Agreement (WDA). The intent is to augment these funds from other government programs and through fund-raising efforts.

The province views this initiative as a three-year pilot program. So neither of these existing funding sources can be considered guaranteed at this time.

The Manitoba government collects interest on all real estate deposits held in broker trust accounts. The deposits in recent years have generated roughly $150,000 to $300,000 in interest across the province, depending on the level of the real estate activity and interest rates on short-term deposits. Prior to HOP, a small amount of the earned interest was made available for real estate education, but most went into provincial general revenues. For the three-year pilot period, the education programs continue to be funded at roughly the same level, but that still leaves most of the proceeds available to HOP.

The home equity program is one of several programs federally administered by Human Resources Development Canada under the WDA. This agreement was signed in 1995 by the federal, provincial and municipal governments. It pools $75 million to be used over five years for community and economic development in the city.

A limited restriction is placed on the use of WDA money. It can be used in the rehabilitation but not the acquisition of homes. As a consequence, the initial round of acquisitions by HOP must be funded by other monies. However, once it receives proceeds from resales, any WDA money previously used for rehabilitation can be recycled into acquisitions without this restriction.

HOP received $129,000 in 1997 and $90,000 in 1998 from the interest from real estate deposits, and the commitment of $500,000 over three years starting in 1997 from the WDA home equity program. The WREB also made a $25,000 contribution to provide initial start-up resources.

Authority

Legislation in Manitoba formerly allowed the interest earnings from real estate deposits to be used only for education programs for real estate brokers. As a result of lobbying by the WREB, the *Real Estate Brokers Act* was amended in mid-1996 authorizing use of the earnings for not-for-profit initiatives that promote affordable homeownership and neighbourhood revitalization.

In the lobbying efforts to seek this legislative change, the WREB stressed that the money was especially suitable for a market-driven approach to affordable housing because it was earned from real estate activities.

Administration

HOP is an independent non-profit organization overseen by an 11-person board of directors that includes the past president of the WREB, the founder of Habitat for Humanity in Winnipeg, and representatives from CMHC and the planning, banking, insurance, real estate, marketing and legal professions. There are no representatives from the city or provincial governments.

It is administered by a full-time staff of two, supported by the resources of the WREB. One staff member deals with the applicants and the other with the properties.

Use of funds

HOP is a revolving loan fund to be used in purchasing and rehabilitating existing homes, which are then sold to lower-income households. The resale proceeds are to be recycled to repeat the process. The objective is to sell the homes for a price that recovers the acquisition and renovation costs.

To assist in minimizing costs, HOP initially will use cash to purchase the houses. This eliminates the additional expenses associated with closing and carrying a mortgage. The use of financing is not ruled out at a later time.

This process is expected to work in the inner city of Winnipeg because house prices there are quite low by national standards. The program is targeting final sale prices around $40,000 to $50,000, based on anticipated acquisition prices of about $30,000 to $35,000 and renovation costs of $10,000 to $15,000.

HOP is setting up a process to review and select applicants for the homes. The homebuyers must meet all the *National Housing Act* (NHA) requirements under CMHC's First Home Loan Insurance Program. They must have the necessary income to qualify for a 95 per cent mortgage loan and commit to own the property for at least three years. Preference is given generally to family households over single people, and to applicants living in the area.

Where possible, purchasers are encouraged to contribute through sweat equity to the rehabilitation. Sweat equity provided by the applicant when capable and through skilled trades on a voluntary basis is accepted for up to half the minimum five per cent downpayment required by the NHA.

Accomplishments

HOP is one of many initiatives being used to stabilize and ultimately revitalize the inner city area of Winnipeg.

The first homes were purchased in the spring of 1998 and are being rehabilitated for resale to lower-income purchasers.

The HOP has acquired and renovated two houses and recently purchased another house. The two completed units are being sold for $50,000 after renovation costs of $16,000 and $20,000. In the third unit, they are looking, for the first time, to involve a purchaser capable of contributing sweat equity.

Contact

Peter Squire
Director of Public Affairs
Winnipeg Real Estate Board
Tel: (204) 786-8854
Fax: (204) 783-9447

Summary

Jurisdiction:	*City of Winnipeg, Manitoba*
Name:	*Housing Opportunity Partnership Loan Fund*
Population:	620,000
Start:	1997
Purpose:	To promote homeownership in the inner city by acquiring, rehabilitating and reselling existing homes affordable to lower-income households.
Income Target:	"Lower-income" households, which are not defined, but would mean those at the low end of market.
Funding Source:	Funding mainly provided from two ongoing sources on a three-year pilot basis: • dedicated revenues from the interest on real estate broker accounts, and • public funding from a home equity program.
Funding Amount:	$574,000 through mid-1999.
Notable Features:	The establishment of the fund was conceived and spearheaded by the Winnipeg Real Estate Board. It is administered by an independent non-profit organization. This is a revolving loan fund. The homes will be resold at a price that recovers the acquisition and renovation costs. The resale proceeds will then be used to buy and improve other homes. The process depends on taking advantage of the depressed house prices in the inner city of Winnipeg. Costs will be reduced by using cash rather than financing in the purchase. The contribution of "sweat equity" by homeowners also will be encouraged where possible.
Accomplishments:	Purchase of three homes, with two renovated and up for sale.

New Brunswick: Affordable Housing Trust Fund

Background

The establishment of a housing trust fund has been recommended for New Brunswick, and an initial report dealing with some of its key aspects has been submitted for consideration to the provincial government.

The concept initially came from the Committee on Shared Equity Housing in New Brunswick. This committee was created in January 1997 in response to calls from disability organizations to increase the availability of housing that is affordable and accessible for people with disabilities. Because a large proportion of people with disabilities are poor, affordability is a major barrier to their living and participating in the community.

The committee was co-chaired by a representative from the provincial housing department and the New Brunswick Association for Community Living (NBACL) (Association du Nouveau-Brunswick pour l'integration communautaire), a non-profit agency that serves those with mental handicaps. It also included representatives from other government departments and CMHC, non-profit housing and service organizations, the province's homebuilders' association, the financial community and other disability organizations.

The mandate of the committee was to explore the potential for "shared equity" housing as a solution, not only for people with disabilities, but for the wider affordable housing needs of the province. Shared equity housing was defined as affordable housing built or purchased through cooperative or partnership arrangements that bring together financial resources and in-kind contributions from a variety of non-governmental and governmental sources.

The establishment of an HTF in New Brunswick was a key recommendation of the Committee on Shared Equity Housing. An HTF was seen as a central vehicle for implementing shared equity housing in the province.

The HTF concept has been developed further by the Housing Trust Fund Project Committee, created in early 1998. Through a grant from CMHC's Homegrown Solutions, this committee examined potential funding sources, targeted beneficiaries, funding guidelines and various other aspects of the potential HTF. The committee, which was coordinated by the NBACL, also included representatives from the province's housing department, the provincial office of CMHC, and local non-profit and cooperative groups.

The committee's work was presented in a report completed in early 1999. The report has been submitted for consideration to the provincial government, but that has been delayed by an intervening provincial election. The following summarizes the key conclusions and recommendations of that report.

Purpose

The proposed HTF is seen as a catalyst for raising equity from various sources and developing partnerships in local communities in the provision of affordable housing.

As recommended, it would target the housing needs of persons with disabilities as a first priority and help other disadvantaged individuals and families in situations of hardship, including the homeless.

Source of funds

The Committee recommends that the provincial government dedicate at least $5 million annually to the HTF.

Several potential dedicated revenue sources were examined. With the exception of lottery revenues, these sources were related to property activities and included:

- property tax assessments;
- real property transfer taxes;
- real property registry fees; and
- personal property registry fees.

Out of these, it recommends that consideration be given to adopting one, or a combination, of the following three options.

- Place a levy of $0.02/$100 of assessed value on residential and non-residential property (excluding government-owned property). This levy would raise approximately $4.4 million. The committee favours this option because it would spread the cost across all property owners in the province, while having a minimal impact on their tax bills. For example, an owner of a property assessed at $100,000 would annually pay $20 to the HTF.

- Charge vendors a real property transfer tax of 0.25 per cent of the sale value, and place a levy of $0.01/$100 of assessed value on residential and non-residential property (excluding government-owned property). This option would tap into revenues generated from the purchase and sale of real property by extending to the vendors the same real property transfer tax that purchasers now pay. For example, the vendor of a property valued at $100,000 would pay $250 to the HTF. Based on recent revenue figures, extending the real property transfer tax to vendors would raise between $2.6 million and $2.9 million, while the property tax component of this option would raise about $2.2 million.

- Dedicate $5 million/year from lottery revenues. This option would be consistent with how other provincial trust funds are being funded and might be simpler to implement than the others. The main precedent is the province's Environmental Trust Fund established by legislation in 1990. That fund draws on lottery proceeds to conserve, protect and enhance the environmental and natural resources of the province.

The committee expects the HTF to attract cash or in-kind donations from private contributors. To encourage those contributions, it recommends that the HTF be given the capacity to issue tax receipts. The mechanism for providing these receipts was not examined.

The committee also recommends that the HTF develop ways of assisting families to provide life-long housing for family members with disabilities. This could be done, for example, through a cash contribution toward a housing project funded in part by an HTF, or by leaving the property to the HTF for the benefit of a person with a disability.

Administration

The formal organizational structure of the HTF was not examined by the committee. It did note that there are probably two principal options: a non-profit corporation or a board of trustees created through legislation.

In either case, its main recommendation is that broad community representation be involved in the management of the HTF. It specifically recommends including representatives from the disability sector, non-profit and cooperative housing organizations, homebuilders association, financial community and anti-poverty organizations, CMHC and the provincial department responsible for housing.

Use of funds

The committee recommends that the proposed HTF target its funding, in order to make best use of its limited resources. It specifically recommends that the funds be used to address the housing needs of :

- persons with disabilities under the age of 65;
- disadvantaged individuals (primarily between the ages of 45 and 60) including single adults that are homeless; and
- other disadvantaged individuals and families in situations of hardship.

These recommendation are aimed, in part, at supplementing federal/provincial social housing programs that, in the past, have focussed on housing families and seniors.

First priority would be given to the people with disabilities. As indicated, concerns about the unavailability of affordable and accessible housing for this group were a driving force behind these recommendations.

The beneficiaries of the HTF, should be subject to some income eligibility criteria.

The committee recommends that a broad range of applicants be eligible for funding:

- individuals (particularly, those in the targeted populations or their representatives);
- non-profit housing organizations;
- other non-profit housing associations;
- for-profit developers; and
- municipalities.

Various criteria for guiding the funding are put forward by the committee. Among others, it favours projects that:

- encourages and facilitates the integration of the targeted beneficiaries within the community;
- provides housing at a reasonable cost and budget;
- offers homeownership opportunities for these beneficiaries;
- supports local non-profit housing organizations;
- provides equity contributions and leveraging opportunities;
- develops partnerships and involves the private sector;
- provides community or local support for specific projects;
- provides access to services required by the project beneficiaries;
- contributes to a balanced province-wide distribution of the funds; and
- serves people with very low incomes.

The committee recommends that priority be given to maintaining and strengthening the capacity of non-profit organizations because these organizations have shown a capacity and interest in providing housing to disadvantaged individuals.

It recommends that HTF funding go to a broad range of activities that support the provision of affordable housing, including sale, rental and life-lease housing. The identified eligible activities include:

- construction of new housing;
- acquisition, rehabilitation and/or renovation of existing housing;
- conversion of non-residential properties into residential properties;
- acquisition of land;
- improvements for barrier-free accommodation;
- assistance for homeownership; and
- assistance with project development for applicants.

The committee recommends that the primary methods of funding projects be grants and forgivable loans within certain maximum funding levels. This is seen as a way of minimizing the ongoing administration. The forgivable loans would be recovered only if the funded housing did not continue to meet the HTF guidelines.

It recommends against the HTF providing ongoing subsidies and rental assistance.

Contact

Ken Pike
Director of Social and Legal Affairs
New Brunswick Association for Community Living
Tel: (506) 634-7022

Summary

Jurisdiction:	*Province of New Brunswick*
Name:	*Affordable Housing Trust Fund*
Population:	750,000
Purpose:	To be a catalyst for raising equity from a variety of public and private sources, and developing partnerships in local communities for the provision of housing for the following: • persons with disabilities as a first priority; and • other disadvantaged individuals and families in situations of hardship, including homeless.
Income Target:	Not determined yet.
Funding Source:	Recommendation made to use one or a combination of the following as dedicated source: • property tax levy on residential and non-residential property; • tax on vendors in real property transfers; and/or • contribution from lottery revenues.
Funding Amount:	Target of $5 million/year.

Montréal QB: Montréal Housing Trust Fund

Background

The Fonds dedié à l'habitation communautaire de Montréal (Montréal Housing Trust Fund) was incorporated as a non-profit organization in the spring of 1998. It has a board of 12 drawn mainly from community-based organizations in the Montréal area, and is supported by another 60 or so organizations across the community.

The Fund could be an interim organization. It was established to create the trust fund, not necessarily to operate the fund. The board recognizes that the source of the dedicated funding, particularly if it came from provincial or municipal governments, would have a decisive role in defining the nature and administration of the Housing Trust Fund.

The Montréal City Mission has had a leading role in the development of this approach. The Mission is an outreach service of the United Church which has been assisting low-income households in various ways since 1910, and providing housing since the early 1980s. The possibility of establishing a housing trust fund first came out of discussions in late 1995, with the curtailment of federal funding.

Since 1996, a series of summer workshops and seminars at Concordia University have been important to developing the HTF concept. The 1997 session, which brought together most of the key players of the housing sector in Montréal, was particularly instrumental in bringing the concept to life.

Purpose

As proposed, the fund will target the homeless, while giving special attention to needy young people and women in difficulty. Research indicates that these groups are facing the greatest problems in finding decent housing because they are being given low priority in a period of limited funding.

Source of funds

Various possible funding sources have been identified, but no decision or commitment has been made. These include a surtax on the existing mortgage registration fees and a surtax on the existing welcome tax—a type of real estate transfer tax charged only on properties valued at more than $250,000. Other sources under consideration are a surtax on car rentals, hotel rooms and condominium fees.

Authority

Provincial enabling legislation will likely be needed to establish the housing trust fund.

There are at least two other precedents for dedicated funding sources that have been used elsewhere in Québec. The regional transport authority—STCUM or service de transport communautaire et urbain de la ville de Montréal—gets $0.01/litre of gasoline sold within its service area, and a premium on licence plates. A provincial fund—FAACA or le Fonds d'aide à l'action communautaire autonome—receives dedicated funding based on five per cent of the net casino proceeds from Loto-Québec to provide financial assistance for establishing non-profit and community organizations.

Contact

Paula Kline
Secretary
Fonds dedié à l'habitation communautaire de Montréal
Tel: (514) 844-9128
Fax: (514) 844-0067
E-mail: montrealmission@qc.aibn.com

Summary

Jurisdiction:	*Montréal Urban Area, Québec*
Name:	*Montréal Housing Trust Fund (Fonds dedié à l'habitation communautaire de Montréal)*
Population:	3.4 million
Purpose:	To provide housing assistance for the homeless, with special attention to needy young people and women in difficulty.
Income target:	Not defined yet.
Funding Source:	Various sources being considered, but no specific recommendations.
Funding Amount:	Not specified yet.

Edmonton AB: The Edmonton Housing Trust Fund

Background

The Edmonton Housing Trust Fund is being formed. The initiative was triggered by a workshop on housing trust funds sponsored by Concordia University in mid-1997. It was initially carried forward by the Edmonton Coalition on Homelessness (ECOH), a coalition of about 30 community-based agencies active in affordable housing for many years.

Since early 1998, the ECOH has been working with a steering committee to develop the operational model for the proposed trust fund. That committee has representatives from the province and the city, the public housing agency for the urban area, and the city's homebuilders association. This work was funded by a grant from CMHC's Homegrown Solutions Program. The process has included input from social housing providers and representatives of the private, governmental and non-profit sectors.

Purpose

The proposed trust fund is intended to provide new and innovative sources and mechanisms for financing the acquisition and development of lower-income, community-based housing.

Source of funds

As proposed, the trust fund is expected to be funded from a variety of sources. The committee is considering seeking funding from these main sources:

- funds from the provincial lottery through its local grant program;
- fees charged for land title transfers by the provincial government; and
- monies from the city, possibly derived from the savings from re-negotiated cost-sharing agreements for housing with the province.

To date, the fund has secured $10,000 in operating dollars from the Edmonton Inner City Housing Society and a $50,000 contribution to its capital pool from a private foundation.
The province charges fees for land transfers to recover administrative costs. It is expected that an increase or diversion of fees will require new legislation.

Other revenue sources will be investigated, including possibly private foundations and the housing budget of the province.

The present target of the steering committee is to secure an ongoing commitment of roughly $2 million annually.

Administration

The steering committee is still exploring the various administrative models that might be used. At present, members favour a housing trust fund operated by a full-time administrative staff and governed by a board of directors drawn from the private sector as well as from the government and community organizations.

Use of funds

The steering committee expects the fund to take a broad approach toward the projects and programs it will support. In general, it will attempt to fill the gaps in the housing market not being met by either the public or private sector.

The intention is to assist a range of housing needs, including homeownership and rental housing, transitional housing as well as supportive housing for seniors, the physically challenged and persons with special needs.

Only households or individuals earning at or below 80 per cent of the area's median income will be eligible for assistance, but within those, the emphasis will be on serving those in most need and the homeless.

The activities potentially eligible for assistance could include the following:

- land and building acquisition;
- rehabilitation of existing structures, new construction and conversion of non-residential structures into residential buildings;

- technical assistance and other capacity-building efforts related to affordable housing; and
- operating cost assistance.

The funds will be primarily used to assist non-profit and non-governmental organizations, but private and public developers providing affordable housing could be eligible for assistance.

Under current proposals, the funded projects are to remain affordable to the targeted households for at least 15 years. Limits will be placed on the rents and prices that can be charged over that time. Agreements will be negotiated with approved project proponents to ensure that the fund's conditions are met initially and over time.

Contact

Debbie Saidman
Executive Director
Edmonton Housing Trust Fund
Tel: (780) 420-6161 x352
Fax: (780) 426-6854

Summary

Jurisdiction:	*City of Edmonton, Alberta*
Name:	*The Edmonton Housing Trust Fund*
Population:	770,000
Purpose:	To provide financial assistance toward the acquisition and development of lower-income, community-based housing, especially for the homeless and those in most need.
Income Target:	Households earning at or under 80 per cent of the area's median income.
Funding Source:	Consideration being given to recommending one or a combination of the following: • funds from the provincial lottery; • charges on land title transfers; and/or • monies from the city, possibly derived from the savings from renegotiated housing cost-sharing agreement with province.
Funding Amount:	Target of $2 million/year.

Toronto ON: Social Housing Reserve Fund

Background

The former city of Toronto established its Social Housing Reserve Fund in 1986 to hold the cash-in-lieu payments made toward social housing in exchange for negotiated density bonuses. These payments were curtailed in early 1989, and the fund was absorbed into the new city's Capital Revolving Fund for Affordable Housing in 1999.

The city used density bonuses to secure assistance for social housing from many major downtown office projects from 1982 through 1988. Assistance initially was sought in the form of downtown sites for residential development, but starting in early 1986 cash in lieu was accepted when suitable sites became more difficult to find. Cash payments after that became the main form of assistance for social housing.

The use of negotiated density bonusing for commercial projects came to a halt in late 1988 or early 1989 for two reasons. The economic downturn stopped nearly all new major commercial construction in the city. The city also suspended the use of negotiated density bonusing while it reviewed its bonusing practices, and the planning policies for its new official plan.

The review of density bonusing was triggered, in large part, by the public reaction to the development occurring during the overheated economy of the

late 1980s. The development was seen to be too massive and uncontrolled, and the density bonusing as reflecting a "let's make a deal" approach to development that disregarded approved policies and procedures.

The new official plan, adopted in 1991, placed emphasis on following clear and consistent practices and regulations. Among other things, these were meant to achieve predictable building forms and heights, provide equitable treatment for all developers and simplify the approval process. Those new policies will severely limit the future use of negotiated density bonuses in the city.

Purpose and use of funds

The negotiated density bonuses were used to secure land suitable for non-profit housing projects, either directly through contribution or indirectly through acquisition using the cash-in-lieu payments. The federal/provincial programs at the time provided capital funding for these projects, but that funding was based on capital cost ceilings that did not reflect the high land costs in Toronto. The provision of land at a reduced cost was necessary to make the downtown projects feasible.

The funds were also used, to a limited extent, to cover initial fees and charges until the non-profit housing providers were able to secure a mortgage.

From 1993 through 1998, when federal funding for new construction was no longer available, the funds were managed by the city's non-profit housing agency and a small part was used for some of its operating costs.

Source of funds

The cash contributions were secured through development agreements negotiated in response to applications from office developments for changes to the approved zoning. Through this process, the city granted permission to build additional revenue-generating space beyond the approved limits, in exchange for assistance for non-profit housing as well as various other public amenities.

The process for determining the basis of this exchange changed over time. Initially, the increased density was negotiated for each development, and granted for an entire undifferentiated package of amenities and other considerations. Starting in 1986, the city used explicit rules for determining the exchange. Thereafter, the value of the additional commercial space was based on its net present value, and the additional amount given was tied, in some way, to the cost of providing each of the contributed public amenities.

In the case of assistance for non-profit housing, the additional commercial space was granted at about twice the value of the housing contribution. To be specific, 56 m² (600 sq. ft.) of commercial space was given in exchange for $45,000 in land or fees, which was the value of the land needed for a non-profit unit at that time. The additional space given over the value of the housing was needed to attract the voluntary contribution by the developers.

Authority

This process was authorized by section 36 of Ontario's *Planning Act* of 1983. (Later, these provisions were shifted to section 37 of the 1989 revisions to the legislation.) Under these provisions, all Ontario municipalities are authorized to pass zoning by-laws that allow for the voluntary exchange of density and height increases in return for the provision of public benefits, described as "facilities, services and matters," from the developers. The former city successfully secured a range of benefits in addition to the land and funds for social housing.

Accomplishments

Toronto's negotiated density bonusing took advantage of a period of strong growth in the 1980s. It represents the most successful sustained use of density bonusing in both Canada and the United States.

Development agreements were negotiated for 21 downtown commercial projects during that time. Through the process, increased density was used to obtain downtown sites capable of accommodating approximately 2,000 non-profit units, cash in lieu of nearly $19 million and 49 units conveyed at prices within the government cost ceilings for non-profit housing.

A similar process also was used to provide for non-profit housing through the comprehensive planning of three major residential redevelopments during this time. As a general objective, but not always achieved, the city attempted to obtain land sufficient to accommodate approximately 30 per cent of the housing units as non-profit. In these areas, it secured $2 million and land for 1,640 non-profit units.

Contact
Greg Suttor
Policy Development Officer
Department of Community and Neighbourhood Services
City of Toronto
Tel: (416) 397-5810
Fax: (416) 392-8492
E-mail: gsuttor@metrodesk.metrotor.on.ca

Summary

Jurisdiction:	*The former City of Toronto, Ontario*
Name:	*Social Housing Reserve Fund*
Population:	650,000
Start:	1986
Purpose:	To secure sites for the development of non-profit housing using capital funding available at that time from federal/provincial funding programs.
Income Target:	Not specified (governed by federal funding criteria).
Funding Source:	Fees in lieu of providing sites from developers of downtown commercial projects in return for negotiated density bonuses as part of rezoning applications.
Funding Amount:	Nearly $19 million through 1988.
Notable Features:	The use of negotiated density bonuses was terminated in late 1988, due to the economic downtown and a public backlash against large developments. From 1982, prior to accepting fees in lieu, the city had also secured 49 units and sites capable of accommodating 2,000 non-profit housing units. This program represents the most productive dedicated source of locally based revenue for affordable housing ever used in Canada.
Accomplishments:	No comprehensive record was kept of the use of the funds. The money was used mainly to purchase development sites and provide development grants for non-profit housing. $9.9 million (inclusive of interest) also was transferred to Toronto's Capital Revolving Fund for Affordable Housing.

6. PROFILES OF OTHER CANADIAN HOUSING FUNDS

A number of other locally based funds have recently been created in Canada to support the provision of affordable housing. They are not housing trust funds in the accepted sense because they do not depend on a dedicated ongoing funding source. Nevertheless, these efforts merit attention because they indicate some of the other ways of raising money for affordable housing.

- Montréal QB: Montréal Investment Fund was established in 1997 to provide second mortgages to assist the purchase and renovation of existing rental housing by local non-profit and other community-based organizations in depressed neighbourhoods of Montréal. The funds come from a line of credit of $5 million, available at a fixed interest rate, provided by a limited partnership of various financial institutions and a union pension fund, public utility and family trust. They are used mainly to support the provision of low-end-of-market accommodation, but rental supplements from the province are available for some units to achieve lower levels of affordability.

- Calgary AB: Calgary Homeless Foundation Fund was established in 1998 by the Calgary Homeless Foundation, a non-profit corporation seeking charitable status. Its purpose is to provide grants to agencies and organizations involved in housing and services for the homeless. It intends to raise $2 million/year through charitable donations from the corporate and private sector, and another $4 million/year in appropriations, land and buildings from the province and city.

- Cape Breton NS: Construction Fund of Cape Breton Labourers' Development Company was established in 1987 by the Cape Breton Chapter of the Labourers' International Union. The Union's non-profit development company uses the Fund to finance the construction of affordable homes for union members. The funds are generated by a $0.25/hr deduction from the pay of members.

- Saskatoon SK: Investment Fund for the Saskatoon Housing Initiative Partnership has been in development since early 1998 by a steering committee of local housing officials as well as business, institutional and community representatives. As proposed, the funds are to be raised from private and corporate investors using to assist in the provision of low-end-of-market housing in at-risk neighbourhoods of the city.

- Toronto ON: Capital Revolving Fund for Affordable Housing was created by the city in early 1999, and capitalized by the transfer of funds mainly from the city's dormant Social Housing Reserve Fund. Its current purpose is to provide start-up loans for a series of proposed demonstration projects for affordable ownership, rental and transitional projects on city-owned land.

Montréal QB: Montréal Investment Fund

Background

The Montréal Investment Fund—or Fonds d'investissement de Montréal (FIM)—was established as a limited partnership in early 1997 to provide a pool of private capital for financing affordable housing in the city of Montréal.

The partners in the FIM are Claridge Investments (the Bronfman family trust), the Fédération des caisses populaires Desjardins de Montréal et de l'Ouest-du-Québec (a federation of local credit units), the Fonds de solidarité des travailleurs Québec (a union pension fund), the Royal Bank and the National Bank, and Hydro-Québec (Quebec's electricity utility).

The FIM will follow an approach similar to that used earlier by Montréal's public non-profit

housing agency—Société d'habitation et de développement de Montréal (SHDM). The SHDM has upgraded approximately 3,500 housing units in depressed areas of the city. The units were purchased and upgraded through a combination of federal/provincial non-profit funding and provincial/municipal rehabilitation monies, and then sold to non-profit and cooperative organizations.

Purpose

This investment fund is intended to assist community-based, non-profit organizations in upgrading and preserving existing affordable rental housing in depressed neighbourhoods of Montréal. The process is to be managed in a way that will generate a modest rate of return to the investors over the long term.

Source of funds

The Fund has provided a line of credit of $5 million for 10 years at an agreed interest rate. It is expected that this capital will be used to raise another $15 million in mortgage financing from conventional sources.

Use of funds

This capital is intended to secure the affordability of approximately 800 units. Most of these units will be purchased, rehabilitated and operated by various community-based non-profit organizations including resident-formed cooperatives and associations. Where appropriate, some properties might be sold to individual households, probably through a first-time buyer program.

The housing will be mainly for the low-end-of-market rental market. The extent of rehabilitation will be modest, in order to maintain the affordability of the units and also yield a return on investment.

The fund is essentially a private venture, but available public money will be used in two ways. Rental supplements from provincial funding will be provided for up to 25 per cent of the units to reach lower-income households. The existing provincial/municipal rehabilitation program for private owners also will be used; it provides grants covering 50 per cent of the rehabilitation costs.

The participating non-profit organizations are expected to secure their own first mortgages from private commercial lenders. The FIM's participation, along with CMHC's mortgage insurance, is expected to assist in getting that financing.

The FIM will provide a second mortgage to cover the outstanding amount needed beyond the first mortgage financing. The mortgage will be interest only, and fully repayable after a 10-year fixed term. By this time, the project cash flows are expected to support refinancing.

The administration of the Fund has recently been taken over by the Bâtir son Quartier, a Montreal-based "resource group" that for last 20 years or so has been helping non-profit and cooperative housing organizations develop and operate affordable housing.

Accomplishments

The Fund was conceived as a way of taking advantage of the relatively low-priced units available in a depressed property market in the city and capital sources available only in Québec. Since being founded, property prices in the city have risen substantially. As a consequence, the administrators of the Fund have had difficulty in finding properties that can be purchased and renovated within costs that will keep the rents at the existing or an affordable level.

The fund has recently helped to finance the purchase of its first property, an already-upgraded 45-unit rental property. It continues to search for suitable properties needing modest renovations.

Contact

Carmen Gibbs
Bâtir son Quartier
Tel: (514) 933-2755
Fax: (514) 933-7802

Summary

Location:	*City of Montréal, Québec*
Name:	*Montréal Investment Fund (or Fonds d'investissement de Montréal)*
Start:	1997
Purpose:	To assist in financing the upgrade and preservation of existing affordable rental housing in depressed inner-city areas.
Income Target:	Households needing the low-end-of-market rental housing.
Funding Source & Amount:	$5 million line of credit provided by a limited partnership of various Québec-based financial institutions and a union pension fund, public utility and family trust.
Notable Features:	The fund will provide below-market second mortgages to assist in financing the purchase and modest renovation of an estimated 800 existing housing units. After renovation, the units will then be sold to and operated by community-based non-profit organizations. The process is to be managed in a way to yield a modest rate of return to the investors over the long term. The fund is essentially a private venture, but public money will be used in two ways. Provincial rental supplements will be provided for up to 25 per cent of the units. Provincial/municipal rehabilitation grants for private owners also will be used to cover 50 per cent of the rehabilitation costs.

Calgary AB: Calgary Homeless Foundation Fund

Background

The Calgary Homeless Foundation was conceived in early 1998, and was formally incorporated under the Alberta Societies Act in September 1998. The foundation has applied for charitable status from Revenue Canada.

Homelessness has become a pressing problem in Calgary over the last few years because its strong economic growth has attracted many newcomers. Many of these—even some with jobs—have been unable to find affordable housing in the city.

The city started actively examining and addressing the problem in early 1996. Since mid-1996, these activities have been coordinated by its Homeless Ad Hoc Steering Committee composed of various provincial, municipal and community representatives. One major outcome was a city report in mid-1998, entitled "Reducing Homelessness in Calgary," that identified a comprehensive range of approaches for dealing with the problem.

Purpose

The Foundation intends to assist existing organizations in providing temporary accommodation as well as supportive programs for homeless or potentially homeless individuals and families.

As part of its mission, the Foundation also expects to raise the public understanding of the homeless problem, generate more support from all levels of government, and help in bringing together government, business and community resources in tackling this problem in a coordinated way.

Source of funds

The Foundation has established an initial goal of obtaining $6 million annually in contributions: one third each from the province, the city and the corporate sector.

The province for its initial contribution has provided two buildings and $2 million from lottery funds. The city has provided a small amount of operating money, and committed to giving land and property to the value of $2 million.

The contributions from the corporate sector are expected to come mainly from tax-receipted charitable donations. Until the Foundation has the authority to issue tax receipts, the city has agreed to issue tax receipts on its behalf.

The fund-raising campaign for the corporate sector has not been organized. The initial response of the corporations, nevertheless, has been positive. The Foundation has received some donations in advance of any campaign.

Administration

A board of directors will govern the Foundation. The board will decide the policies and direction of the foundation, and also the projects and programs that will be funded. The selection procedures and criteria are still to be developed.

A 16-member board has recently been appointed. It has been recruited from a broad cross section of interests including six representatives from the business, financial and real estate community; three from major social service agencies, including the Salvation Army and an affiliation of local churches; a member of the provincial legislature; three from the city, including its chief commissioner, an alderman and a social planner; two from major charities, and one representing the local residential association and the apartment association.

The premier of Alberta, the mayor of Calgary, the president of the Calgary Chamber of Commerce and the chair of the United Way of Calgary have agreed to be sponsors of the foundation. In that capacity, they will appoint the future permanent board and review the annual financial statements.

The Foundation has a permanent staff of two for its day-to-day operations. One of these is being provided by the provincial government. It also has received a considerable amount of time from volunteers offering their legal and other expertise without charge.

The funding criteria for the Foundation are still to be developed.

Accomplishments

The Foundation so far has committed $330,000 to two transitional housing projects: 32 units partnered with the city's social housing department and 70 units with the Salvation Army.

It is also looking at temporary housing projects for the following groups: girls living on the street, individuals suffering from mental illness, and others from alcohol and drug addiction.

Through existing agencies, it is providing small interest-free loans to individuals and families with jobs who are living in temporary shelters. This program targets recent immigrants to the city that have been unable to save sufficient money for the rent and utility deposits.

Contact

Sharyn Brown
Coordinator of Operations
Calgary Homeless Foundation
Tel: (403) 262-2921
Fax: (403) 262-2924

Summary

Location:	*City of Calgary, Alberta*
Name:	*Calgary Homeless Foundation Fund*
Start:	1998
Purpose:	To assist existing organizations in providing temporary accommodation and associated services for the homeless or potentially homeless.
Income Target:	Not defined.
Funding Source:	Goal of $6 million per year from the following: • $2 million in corporate and private donations; • $2 million in funds and/or property from each of the provincial and municipal governments.

Funding Amount: $2 million from provincial lottery funds and $2 million in property and operating assistance from the city.

The campaign to raise private donations not yet initiated.

Notable Features: The foundation plans to harness corporate and other private monies and resources, and coordinate this input with the government and community efforts. To raise the private monies, the foundation expects to issue tax receipts. It has applied for, but not yet received, charitable status from Revenue Canada.

Accomplishments: Contribution of $330,000 toward two transitional housing projects with a total of 102 units, and support for a program directed at helping new households moving to the city with their rent and utility deposits.

Cape Breton NS: Cape Breton Labourers' Construction Fund

Background

The Cape Breton Labourers' Development Company Limited was established by the membership of the Cape Breton Chapter of the Labourers' International Union (Local 1115) in 1987. The organization operates on a non-profit basis as a distinct entity separate from the union.

Local 1115 operates in the very depressed economy of Cape Breton Island. Because construction activity fluctuates so much, the banks and other financial institutions are reluctant to make mortgage loans to union members.

The organization represents an innovative variation of the basic labour investment funds in which the Canadian labour movement has become involved since the 1980s. These are pools of capital harnessed from union members and the public, and channelled into investments within the area. They are generally used for business development and job creation, but sometimes they have social purposes as well.

The Fund also builds on a Nova Scotian tradition from the 1930s of "building cooperatives" in which members of a community pool their resources to build housing for each other. This tradition came from the Antigonish movement, which in rural Nova Scotia and elsewhere in the Atlantic Provinces promoted mutual self-help, particularly in finance, fishing and food retailing cooperatives and various forms of adult education.

Purpose

The purpose of the Fund is to finance the construction of affordable homes for union members.

Source of funds

The members of the union contribute $0.25/hour of pay through automatic deductions. All 600 union members participate.

The contributions go into the Fund. On retirement, disability or death, the member receives all the money paid into the Fund, plus a $500 bonus but no interest. The money in the Fund, except for that needed for its primary commitments, is made available to the development company. In effect, union members are making a type of forced savings, but forgoing any interest so the money can be used to finance the construction of affordable housing.

The provincial government has contributed a $300,000 grant and $480,000 in interest-free loans. The latter represented about $125,000 in foregone interest.

Volunteer labour in administration and construction also has contributed an estimated $500,000 to date.

Use of funds

The Fund is used to finance the construction of affordable homes for union members. The houses are leased to families at a rate—generally for a 25-year term—that will recover the full development costs plus an additional 60 per cent as an administrative fee. The families become the owners when the full amount is paid off.

The payment of the administrative fee, which covers the overhead of the development company, is made in lieu of a mortgage. When expressed in those terms, the development company calculates that charge is the equivalent to a 4.3 per cent fixed interest mortgage payment.

The affordability of these units is enhanced in various ways. No profit is taken and no downpayment is required. As noted, union members also invest a considerable amount of their labour at no charge.

The occupants are selected on the basis of a points system that includes such factors as the years of union membership and size of the family. Income is not a factor in determining eligibility or priority.

Accomplishments

The fund has financed the construction of 21 owner-occupied houses to date. Construction has fallen off in the last few years because the lack of work opportunities for the union members has reduced the flow of contributions. In the past, when the construction industry was active, the fund generally had a capital pool of $100,000 to $150,000 to support the building of houses.

In addition to the housing built by the fund, the fund has also had the benefit of generating an estimated 7,000 days of working time for the union members during the construction of these units.

Contact

John MacDonald
Manager
Cape Breton Labour Development Company Ltd.
Tel: (902) 562-8849
Fax: (902) 539-1614

Summary

Location:	*Cape Breton Island, Nova Scotia*
Name:	*Construction Fund of the Cape Breton Chapter of the Labourers' International Union (Local 1115)*
Start:	1987
Purpose:	To finance the construction of affordable homes for the union members.
Income Target:	None
Funding Source & Amount:	Deduction of $0.25/hour from pay of the 600 union members. Grant of $300,000 and loan of $480,000 from the provincial government. Volunteer labour to a value of an estimated $500,000.
Notable Features:	The fund builds on a Nova Scotian tradition of cooperative building in which the members of the community help building housing for each other. The units are leased for a long-term until the company recovers the full development costs and an administrative fee. At that time, the occupants become owners. The lease payments are similar in amount to low-interest mortgage payments. Affordability is also enhanced by the company taking no profit, not requiring a downpayment, and providing a considerable amount of free labour.
Accomplishments:	Construction of 21 homes.

Saskatoon SK: SHIP Investment Fund

Background

The Saskatoon Housing Initiatives Partnership (SHIP) had the founding meeting of its new board in early 1999, and has applied for incorporation. The organization was developed starting in early 1998 by a committee that included representatives from the city's Social Housing Advisory Committee as well as from the business, institutional and community sectors.

As presently envisioned, SHIP will have two main overlapping roles:

- raising private and corporate investments, and combining that with government funding, to provide new and innovative ways of financing the provision of lower-income housing by community-based organizations; and
- coordinating the various community interests—corporate and financial institutions, charitable foundations, community-based organizations, and governmental departments and agencies—in the provision of affordable housing as well as associated community development activities.

These roles are different than those taken by most housing trust funds, but similar to those of many housing partnerships in the United States.

As its first initiative, SHIP is proposing to establish an investment fund. This would be a pilot program that, as presently conceived, would require the provincial government to provide tax credits for investors in affordable housing. A proposal to establish these tax credits has been made to the provincial government.

Purpose

The intent is to use the investment fund to provide short-term financing that will ease the initial cost of housing for "working poor" households. The assistance will be provided mainly through cooperative organizations for housing in the inner-city neighbourhoods.

Source of funds

SHIP's proposed investment fund is expected to be attractive to corporate and other private investors interested in supporting their local community, while realizing a reasonable financial return on their investment.

To provide a reasonable return, SHIP is looking to the province making a tax credit available to the investors. SHIP has presented a proposal to the province about how this tax credit might work.

SHIP's target is to raise about $2 million/year in investments over the five-year period of the program. That money will be directed to two main uses.

- About 45 per cent will go to the investment fund and be used to finance second mortgages for eligible projects. This is based on an investment of $17,500/unit (or 25 per cent of a maximum unit price of $70,000) for 50 houses annually.

These funds will be invested for a five-year period in specific projects, at which time the projects will be refinanced and the investment repaid in full.

- About 55 per cent will be held as a capital reserve. This is based on $22,500/unit. The reserve will be used to support SHIP's administration costs and related capacity-building efforts, and also to provide security against defaults, rising interest costs or other contingencies.

Through this capital reserve, SHIP expects to be entirely self-supporting. The reserve funds will be invested in interest-bearing securities, and repaid after a five-year term as part of the investor payout. All proceeds remaining from this internal investment after the payout will stay with SHIP for future use in housing development.

Use of funds

This new investment fund will be directed at assisting the provision of at least 50 units of affordable housing each year for five years.

It will target the "working poor"—households with low-wage jobs that do not qualify for social housing or assistance, but cannot afford appropriate housing on the private market. Priority will be given to family housing located in at-risk neighbourhoods, where income levels are relatively low and the rates of absentee ownership/rental households are high.

This program will be directed mainly at reducing the initial financing costs that create a barrier for these households. To do so, it will support shared ownership and management through small cooperative housing projects. These projects will enable the participating households to take control of their housing accommodation without a downpayment, and to build up an equity stake toward assuming individual ownership of their units if they so wish.

To reduce the front-end financing costs, SHIP proposes to provide:

- a forgivable loan based on five per cent of development costs from the city's Housing Reserve Fund. This continues a practice used by the city for many years to support non-profit housing projects.

- a second interest-bearing mortgage for five years for up to 25 per cent of the development costs. At that time, when it is expected that the participating households will have built up their equity stake, the project will be refinanced and this investment repaid in full.

The remaining 75 per cent of the initial development costs must be financed through conventional mortgages.

SHIP will assist and work through community-based organizations to acquire, renovate, develop and manage the housing. These might include existing organizations representing a group of lower-income households or new organizations formed by the households themselves.

For at least the five years of the SHIP investment, the participating households are expected to participate in the operation of the sponsoring organization. At the end of that time, when the project is refinanced and the SHIP investment repaid, they will be given an opportunity to purchase their own units. Alternatively, they may wish to continue some form of collective ownership. In that case, the managing corporation to which they belong will be responsible for developing the terms and conditions for ownership.

Administration

The program will be managed by SHIP's 13-member board, with assistance from city and provincial staff as required. The board includes the mayor of the city, the general manager of the city housing authority as well as representatives from the United Way, the city's real estate and homebuilders associations, two lending institutions, and a number of local non-profit service and housing organizations.

In addition to providing financing for projects, SHIP also expects to provide a range of supportive technical, administrative and financial services. It will seek to minimize the up-front and ongoing costs of the housing organizations by providing accounting, legal, inspection and other professional services at a reduced or no cost. It also will be engaged in efforts to build up the capacity of new and existing community groups to undertake these type projects.

Contact

Russell Mawby
Housing Facilitator
Planning and Building Department
City of Saskatoon
Tel: (306) 975-7666
Fax: (306) 975-7712
E-mail: russel.mawby@city.saskatoon.sk.ca

Summary

Location:	*City of Saskatoon, Saskatchewan*
Name:	*Saskatoon Housing Initiatives Partnership (SHIP) Investment Fund*
Purpose:	To provide short-term second mortgages that will ease the initial cost of home purchase for "working poor" households.
Income Target:	"Working poor" households—households with low-wage jobs that are not eligible for assisted housing and not able to afford suitable housing on the private market.
Funding Source & Amount:	Initial target of $2 million for five years to be raised from corporate and other private investors through a proposed tax credit from the province.
Notable Features:	The assistance will be provided mainly to small cooperative housing projects involving shared ownership and management at the outset. It will focus on family housing that will help to stabilize and improve run-down inner-city neighborhoods. The target is 50 units per year for five years. The projects also will be eligible for a forgivable loan of five per cent of the capital costs from the city's Housing Reserve Fund.

Toronto ON: Capital Revolving Fund for Affordable Housing

Background

Toronto's Capital Revolving Fund for Affordable Housing was created in February 1999. This represents an initial and interim effort to assist affordable housing by the new city of Toronto, which was created through amalgamation at the beginning of 1998. It follows the adoption of the city's "Strategy for Creating Affordable Housing" in July 1998, and the release of the report of the Mayor's Homelessness Action Task Force in January 1999. Both called for the city to take a larger role in solving the problem of the homeless specifically and also the unaffordability of housing generally.

Purpose

The objective, as initially defined, is to assist non-profit groups developing affordable ownership, rental and transitional projects. The funds will be first used to support a number of demonstration projects on city-owned sites. In time, it is expected that the mandate of the fund will be extended and refined.

Source of funds

The initial monies were provided from two one-time sources: a transfer of $9.88 million from the existing Social Housing Reserve Fund (SHRF) and a payment of $1.07 million in partial settlement of claims against the province due to its cancellation of its non-profit housing program.

It is recognized that ongoing funding also will be required, but no sources have been established. Possible sources that have been identified are contributions from density bonuses or other official plan provisions, the proceeds from the sale of city-owned lands, allocations from the city's annual operating or capital budget, funds from other levels of government and donations from the charitable, private and corporate sectors.

The SHRF, established by the former city of Toronto in 1986, was used to deposit all cash-in-lieu payments received by the city for social housing through negotiated density bonuses. Although the city stopped using density bonuses for this purpose in 1989, the SHRF continued to accrue money from interest and from the sale of lands also secured through the density bonus agreements.

After a change in government, the province abruptly terminated its funding for non-profit housing in 1995. As a consequence, a large number of projects being planned were cancelled, including many by the former city of Toronto and its non-profit housing agency. In mid-1998, the city reached a partial settlement with the province with regard to some of its legal, consulting and

other costs. The net proceeds from this settlement, after paying certain expenses, were deposited in the new fund.

Administration

Staff of the city's Department of Community and Neighbourhood Service will administer the Fund. The funding allocations will be determined through a request for proposal (RFP) process. Council approval will be required for all allocations.

An advisory group has been established to assist in determining terms of reference for the funding and selecting the projects. The group is also expected to help in defining the role of the Fund. Representation will be drawn from outside expertise in both non-profit and for-profit housing development.

Use of funds

The funds will be used initially to support the development of a number of demonstration projects. Eligibility will be limited to non-profit organizations, including the city's non-profit agency.

The affordability criteria will be established for the RFP for each project. Some projects might include a mix of market and below-market units. In all projects, at least half the units will be required to be affordable to households with incomes below the median.

Funds will be provided primarily as "seed" money to assist in getting these projects started. Eligible uses will include professional fees and other front-end soft costs, and interim construction loans and financing assistance until mortgages can be secured. A small portion also might be used for research related to affordable housing development.

The funds will not be used to cover the full cost of development nor any of the operating costs. The non-profit groups will be required to provide money through fund-raising, mortgages from private lenders, support from other levels of government, and possibly contributions from charities and corporations.

The assistance will be given as loans—primarily repayable but possibly also forgivable—so that money is available for future projects.

Eventually, it is expected that the type of projects supported will be broadened, and related to the policies and definitions being developed for the city's new official plan.

Contact

Greg Suttor
Policy Development Officer
Department of Community and
Neighbourhood Services
City of Toronto
Tel: (416) 397-5810
Fax: (416) 392-8492
E-mail: gsuttor@metrodesk.metrotor.on.ca

Summary

Location:	*City of Toronto, Ontario*
Name:	*Capital Revolving Fund for Affordable Housing*
Start:	1999
Purpose:	To provide seed money toward the development of non-profit housing.
Income Target:	Defined on a project-by-project basis.
Funding Source & Amount:	Two one-time sources: • $9.9 million transfer from earlier housing fund, which were collected through earlier density bonus program; and • $1.1 million payment from province to cover costs of cancelling a number of committed housing projects.
Notable Features:	The seed money will be given as recoverable loans to non-profit groups to assist in covering various pre-development costs. The money will initially be given to demonstration projects on city-owned sites.

APPENDIX A:

ADDITIONAL INFORMATION SOURCE

APPENDIX A: ADDITIONAL INFORMATION SOURCE

The primary source for additional information on housing trust funds is the Housing Trust Fund Project. It operates as a clearing house for information on housing trust funds throughout the United States and provides technical assistance to organizations and agencies working to create or implement these funds. It has prepared numerous publications and other materials, including a quarterly newsletter on the activities of housing trust funds.

As part of its contribution to this particular study, this organization was also responsible for preparing a companion report, entitled "Guide to Creating Housing Trust Funds in Canada," which provides advice on how to establish a housing trust fund. That document, also available from CMHC, contains many references to other sources of information not identified in this report.

Contact

Mary E. Brooks
Housing Trust Fund Project
1113 Cougar Court
Frazier Park CA 93225

Tel: (805) 245-0318
Fax: (805) 245-2518
E-mail: Brooksm@commchange.org

APPENDIX B:

DEDICATED REVENUE SOURCES FOR HTFS

APPENDIX B: DEDICATED REVENUE SOURCES FOR HTFS

This information is drawn primarily from the Housing Trust Funds Project's 1996 survey of housing trust funds in the United States. This survey had a high (79 per cent) but not total response rate. To fill the possible gaps, it has been supplemented, to a limited extent, by information derived either from more recent direct contact, o: an earlier survey by the organization in 1994.

Property Transactions

Tax on real estate transfers: Illinois, Maine, Nevada, New Jersey, South Carolina, Tennessee, Vermont, Iowa, Howard County MD, King County WA, Aspen/Picken County CO

Tax on real estate conveyances: Hawaii

Tax on document stamps: Florida, Nebraska (2), Dade County FL

Fees on recording of deed and mortgage documents: Bucks County PA plus 19 other counties in Pennsylvania

Fees on document recording: Delaware, Missouri, Jackson County MO, St Charles County MO, St Louis County MO

Tax on mortgage transfers: Tennessee

Interest from pooled on real estate escrow accounts: Connecticut, Minnesota, Washington, Wisconsin

Interest from pooled title escrow accounts: Maryland

Penalty against failure to pay real estate transfer tax: Washington

Development Charges

Fees or taxes on new development: Sacramento County and City CA, Boulder CO, Boston MA, Cambridge MA, Cupertino CA, Menlo Park CA, Palo Alto CA, San Francisco CA, Santa Monica CA, West Hollywood CA, Berkeley CA, San Diego CA, Napa County CA, Alameda County CA (94: Los Angeles and Modesto, but area-specific)

Proffers for new developments: Alexandria VA, Sante Fe NM, Prince William County VA

Fees in lieu from inclusionary zoning: Burlington VT, Morgan Hills CA, Santa Monica CA, West Hollywood CA (94: Menlo Park CA, Palo Alto CA, Berkeley CA)

Payments for density bonuses: Seattle WA, Fairfax County VA (94: Miami FL)

Payments for transfers of density: Seattle WA

Tax on conversion of rental units to condos and other uses: Montgomery County MD, Burlington VT (94: Berkeley CA, Hartford CT)

Proceeds from sale of inclusionary units: Montgomery County MD

Municipal Taxes

Tax on restaurant meals: Dade County FL

Tax on sales and use: Dayton/Montgomery County OH, St Paul MN, Aspen/Pitkin County CO

Increase in property tax: Boulder CO, Burlington VT, Seattle WA WA

Tax on hotel rooms: San Francisco CA (94: San Diego CA)

Tax increments from new development: Seattle WA (94: Berkeley CA)

Government Activities

Proceeds from sale of publicly owned land: Montgomery County MD (94: Berkeley CA, Memphis TN)

Income from major renewal project: (94: Denver CO)

Repayments from rehabilitation loan program: Utah

Repayments from mortgage loans from redevelopment project: (94: Berkeley CA)

Proceeds from settlements for housing code violations: Burlington VT

Fees from landfill: Fort Wayne IN

Fees on mobile homeowners: Nevada

Bond Programs

Funds from government bonds: Hawaii, Vermont

Surplus from bond reserve programs: Kentucky, Tennessee, Texas

Surplus from bond refinancing: Delaware, Indiana, Kansas

Fees from mortgage financing programs: (94: Kansas, Chicago IL)

Fees from bond-financed projects: (94: Phoenix, Washington)

Fees from Securities Act cash fund: Nebraska

Fees on mortgage revenue bond and mortgage credit certification programs: Santa Clara County CA

Fees on applications for bond revenues: (94: Minnesota)

Others

Proceeds from unclaimed property: Arizona

Proceeds from unclaimed utility deposits: Memphis

Contributions from employers: Boston

Interest from tenant security deposits: Oregon

Fees on beneficiaries of HTF program: Manassas VA

APPENDIX C:

STATE HTF ENABLING LEGISLATION

APPENDIX C: STATE HTF ENABLING LEGISLATION

Some states have passed legislation enabling local governments to tap into a public revenue source for their housing trust funds.

Washington: The Levy Option Bill 1993

This legislation enables every county, city or town to impose an additional property tax levy of up to $0.50/$1,000 of assessed value of property tax in each year for up to 10 years to finance affordable housing. The funds must be used for households earning at or below 50 per cent of the median household income, with adjustments for household size, for the local taxing district.

Before the levy can be implemented, the proposition must be first passed by a majority of the voters in local jurisdiction through a ballot. The local government also must declare that there is an emergency with respect to the availability of housing that is affordable to very low-income households. Finally, it also must adopt an affordable housing financing plan for expenditure of the funds raised through the levy that is consistent with either locally adopted or state-adopted comprehensive housing affordability strategies.

Pennsylvania: Optional County Affordable Housing Funds Act 1992

This legislation allows all counties in the state, except Philadelphia, to increase their fees for the recording of deeds and mortgages up to 100 per cent above the previous level. The increased revenue must be used to fund affordable housing for county residents who have incomes at or below the county median income level.

A minimum of 85 per cent must be set aside in a separate account to be used to fund affordable housing efforts in the county, while up to 15 per cent of the trust fund revenues can go to the general account and be used for administrative costs.

Another bill, which was considered at the time but not passed, would have created a state housing trust fund supported by the state realty transfer tax and other state-wide sources of revenue.

As of early 1998, 38 of the state's 66—and generally larger—counties had established housing trust funds. They have raised over $200,000 annually on average, and so far have used the funds to support homeownership.

New Jersey: Fair Housing Act 1985

The statutory authority for municipalities to establish housing trust funds is derived from the state's Fair Housing Act 1985. This legislation incorporates the landmark 1975 and 1982 Mount Laurel decisions of the state's top court. Through those decisions, the court essentially declared that all developing municipalities in the state had a constitutional obligation to adopt affirmative measures in support of affordable housing.

In response to that mandate, a handful of municipalities started using development fees for affordable housing. When challenged by a builders' association, these fees were eventually validated by the state's top court in 1990.

The court decision was conditioned on the use of a consistent and equitable state-wide fee structure, which was released in 1992. According to those regulations, the fees must be charged at a standard rate of one per cent of the equalized assessed value for new non-residential developments, and 0.5 per cent of the value for new residential developments not subject to inclusionary zoning. Approval to use these fees must be received from the state's affordable housing agency, and depends on the municipality having an acceptable plan for meeting its affordable housing obligations.

As of early 1998, at least 85 of the state's 566 municipalities employed these development fees, and had collected approximately $50 million in

total since inception. Many others were in the process of seeking approval to charge these fees.

Missouri: Homeless Assistance Program 1990

The legislation authorizes counties to establish a program of assistance for homeless persons through an additional user fee of $3 on the recording of land records, marriage licences and liens. This charge is on top of other fees already required for these services.

The fees must be deposited in a special fund, and used only to provide financial assistance to qualifying agencies. To qualify, among other requirements, an agency must be incorporated as a non-profit entity, and receive at least 25 per cent of its funds from other sources.

Before such a fee can be charged, it must be approved by a majority of the voters of the county.

So far, the funds have been enacted by three counties: St. Louis County and St. Charles County in the St. Louis metropolitan area, and Jackson County in the Kansas City area.

Connecticut: Municipal Housing Trust Fund Program

Connecticut passed legislation some years ago creating this program that provides matching funds from the state to local municipalities creating housing trust funds.

To receive the matching funds, the local government must establish a separate and distinct non-lapsing fund to receive direct contributions from private, municipal or federal sources. These funds must be dedicated to financing new construction or substantial rehabilitation in projects having at least 50 per cent of the residents as lower-income households.

The provisions appear to be little used to date. A housing trust fund in Hartford has been the main beneficiary.

APPENDIX D:

SELECTED REFERENCES

APPENDIX D: SELECTED REFERENCES

General

Housing Trust Funds

Brooks, Mary E. (1997). "A Status Report on Housing Trust Funds in the United States." Report for the Housing Trust Fund Project of the Center for Community Change, September.

———. (1994). "Housing Trust Funds." In *The Affordable City*. Edited by John E. Davis, Temple University Press.

Connerly, Charles E. (1993). "A Survey and Assessment of Housing Trust Funds in the United States." *Journal of the American Planning Association*. Summer.

HTFP (The Housing Trust Fund Project). (1994). "A Summary of Revenue Sources Committed to Existing Trust Funds." *Current Topics*. March.

Rosen, David. (1988). "Housing Trust Funds." American Planning Association, Planning Advisory Service, Report Number 406.

Other

Abt Associates, Inc. (1993). "Non-Profit Housing; Costs and Funding; Final Report." Vol I and II. Prepared for HUD Office of Policy Development and Research, November.

Bratt, Rachel G. (1997). "A Withering Commitment." *Shelterforce*. National Housing Institute; July/August.

Burchell, Robert W. and David Listokin. (1995). "Influences on United States Housing Policy." *Housing Policy Debate*. Vol 6, Issue 3, Fannie Mae.

Dolbeare, Cushing. (1998). "Housing Budget Trends." *RoundUp*. National Low Income Housing Coalition, August.

Dreier, Peter and John Atlas. (1995). "Housing Policy's Moment of Truth." *The American Prospect*. Summer.

Gabriel, Stuart A. (1996). "Urban Housing Policy in the 1990s." *Housing Policy Debate*. Vol 7, Issue 4, Fannie Mae.

HUD (Housing and Urban Development), Office of Policy Development and Research. (1993). "Status and Prospects of the Nonprofit Housing Sector."

Kersten, Elizabeth, Director of Senate Office of Research. (1990). "Grasping at the Dream - California Housing: Who Can Afford the Price?" Report for the California State Senate, June.

Pomeroy, Steve, Greg Lampert in association with James Wallace and Robert Sheehan. (1998). "The Role of Public-Private Partnerships in Producing Affordable Housing: Assessment of the U.S. Experience and Lessons for Canada." Draft Report to CMHC.

Richard Drdla Associates. (1998). "Municipal Regulatory Initiatives: Providing for Affordable Housing." Final Report, September.

———. (1997). "Case Studies of the Municipal Role in Housing." Final Report: The Municipality of Metropolitan Toronto, December.

Schill, Michael H. (1994). "The Role of the Nonprofit Sector in Low-Income Housing Production." *Urban Affairs Quarterly*. September.

Walker, Christopher Walker. (1993). "Nonprofit Housing Development: Status, Trends, and Prospects." *Housing Policy Debate*. Vol. 4, Issue 3, Fannie Mae.

Wallace, James E. (1995). "Financing Affordable Housing in the United States." *Housing Policy Debate*. Vol. 6, Issue 4, Fannie Mae.

Jurisdictions

Banff AB

"Housing Policy." 1991.

Land Use By-Law: "Required Housing."

Berkeley CA

"Housing Trust Fund Program Guidelines." March 1997.

"Housing Trust Fund Summary: Source and Application of Funds - FY 98-99." June 1999.

Boston MA

"Boston's 'Linkage Partnership' for Affordable Housing." *Urban Land*. February 1990.

Dreier, P. and B. Ehrlich. (1991). "Downtown Redevelopment and Urban Reform - The Politics of Boston's Linkage Policy." *Urban Affairs Quarterly*. March.

Zoning Code: Article 26: Development Impact Projects. December 1983.

Zoning Code: Article 26A: Development Impact Projects - Housing. February 1986.

Calgary AB

Calgary Homeless Foundation: "Annual Report 1998."

Homeless Initiative Ad Hoc Steering Committee. (1998). "Community Action Plan: Reducing Homelessness in Calgary." May.

Summary of Homelessness Initiative and related material on the city's Web site (Error! Bookmark not defined.)

"What is the Calgary Homeless Foundation." (1998). Brochure.

Cape Breton NS

"Cape Breton Labourers' Development Company." 1995.

Edmonton AB

Edmonton Task Force on Homelessness. (1999). "Homelessness in Edmonton - A Call to Action. June.

The Edmonton Coalition on Homelessness. (1998). "The Feasibility of Developing the Edmonton Community Housing Trust Fund." Final report submitted to Homegrown Solutions.

"A Vision of the Edmonton Housing Trust Fund." (1997). Brochure.

Florida

Summary of State and Federal Funding Programs for 1999 Budget.

King County (WA)

"King County Consortium Consolidated Plan for 2000-2003."

"King County Housing Opportunity Fund - Program Accomplishments 1990 to May 1999."

Montréal QB

"Dedicated Housing Trust Fund for the Community of Montréal - A Solution for the Future." 1997.
"Dedicated Housing Trust Funds for Montréal and Surrounding Communities." 1999.

Société d'Habitation et de Développement de Montréal. (1995). "The Montréal Investment Fund." February.

New Brunswick

Housing Trust Fund Project Committee. (1999). "New Brunswick Affordable Housing Trust Fund Report on Recommendations to the Minister of Municipalities and Housing." January.

New Brunswick Association for Community Living. (1998). Synopsis of "The New Brunswick Provincial Housing Trust Project. April.

Sante Fe NM

"Administrative Procedures for the Housing Opportunities Program." January 1998.

"Inclusionary Zoning and Housing Opportunity Program." Revised Ordinance, March 1998.

Information Kit on the Sante Fe Affordable Housing Roundtable.

Saskatoon SK

Mawby, Russell. (1998). "SHIP Strategic Mapping." Draft discussion paper (rev), June.

———. (1997). "Housing Trust Concept for Saskatoon." Discussion paper, May.

Planning and Development Committee. (1998). "Innovative Housing Incentives." Originally 1990 but updated in May 1998.

SHAC (Social Housing Advisory Committee). (1998). Report 5, Summer.
———. (1997a). Report 4, Fall.

———. (1997b). Report 3, Summer.

———. (1996). Report 1, Summer.

SHIP Steering Committee. (1998). "Saskatoon Housing Initiative Partnership, Proposal to Provincial Government." December.

Toronto ON

Report from the Commissioner of Community and Neighbourhood Services and the Chief Financial Officer and Treasurer to Strategic Policies and Priorities. (1998). "Establishing a Capital Revolving Fund for Affordable Housing." City of Toronto, December 1.

Vancouver BC

Community Services Group. (1999a). "Rezoning - Community Amenity Contributions." Information Bulletin #2, February.

——. (1999b). "Development Cost Levies." Information Bulletin, February.

Director of City Plans. (1998). "Interim City-Wide Cost Levy (DCL) and Interim City-Wide Community Amenity Contributions (CAC)." December 3.

Directors of Planning, Finance, Housing and Properties, Social Planning, Legal Services, City Engineer, and the General Manager of Parks. (1991). "Development Levies in Downtown South." Report to Standing Committee on Planning and Environment, May 16.

Joint Report of Planning, Finance, Social Planning, Legal Services, Engineering, Housing and Properties, and Parks. (1991). "Summary Report - Implementation of Development Levies in Downtown." Report to the City Manager, February 20.

Whistler BC

Director of Planning and Development. (1996). "Affordable Employee Housing Strategy." Report to the Committee of the Whole, February.

"Employee Housing Service Charge Bylaw No. 1114." (1995).

"Employee Housing Service Charge Bylaw No. 1186." (1996).

Winnipeg MB

"Winnipeg Housing Trust Fund Targets Run-Down Neighbourhoods." (1999). Partnership Courier, February.

Winnipeg Real Estate Board. (1999). "HOP - Rebuilding Winnipeg's Inner City Neighbourhoods One House at a Time." Flyer.

——. (1997). "Opportunity Partnership's (HOP) Journey Towards Obtaining Funding from the Manitoba Securities Commission." Report to Homegrown Solutions.

ENDNOTES

1 The information is taken primarily from a survey of housing trust funds undertaken by the Housing Trust Fund Project in 1996. This survey presents the most comprehensive and in-depth analysis of HTFs undertaken to the present. It received responses from 87 of the 110 funds identified at that time. It has been supplemented, to a limited extent, when more recent or additional information was available from other sources or through direct contact with the HTFs themselves.

2 Housing affordability across the United States is measured on a common yardstick: the median household income for the local housing market as defined by standard metropolitan statistical areas (SMSA). The median household income for each SMSA across the country is determined every year by a federal agency, with adjustments for different household sizes.

Affordable housing programs in the United States generally do not assist households earning more than 80 per cent of the area median income. Some programs use lower thresholds; for example, the federal low-income housing tax-credit program targets households earning 60 per cent and uner.

The 80 per cent figure is particularly relevant because in many jurisdictions it is considered to be the threshold below which the private market cannot provide affordable housing without some form of subsidy.